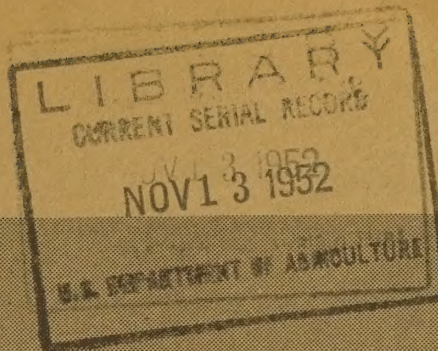


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Reserve



ADMINISTRATIVE POLICIES

RURAL ELECTRIFICATION ADMINISTRATION



10/50

UNITED STATES DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

October, 1950

To All REA Electrification Borrowers:

The Administrative Bulletins of REA are transmitted herewith for the information of the boards and managers of REA borrowers.

The primary purpose of these Bulletins is to outline the current policies and procedures of REA and to set forth divisional responsibilities. With the help of the Bulletins, REA staff members are in better position to make consistent and well considered recommendations on questions of mutual interest to REA and the borrowers and to give, when requested, advice based on a wide variety of experience accumulated through the years of the program.

In considering these Bulletins, we hope you will have in mind the fact that they are intended to provide a basis for coordinating the work of the REA staff as well as for outlining REA's relations with nearly 1,000 borrowers, no two of which are identical in their needs and problems. We have tried to provide maximum flexibility to meet this situation. Many of the policies and procedures applicable to borrowers are necessary because REA is responsible to Congress and the public for protecting the Government loan security and furthering the objectives of the Rural Electrification Act.

In addition, there are other policies recommending practices which experience has proved desirable in promoting efficient management and sound member and community relations. These are factors which in the final analysis constitute the principal security for REA loans and their repayment. You will note that these policies give full recognition to the independent character of REA borrowers as self-governing local service enterprises and call the attention of the REA staff to that fact. It is our hope that the soundness of these recommendations will be apparent to the boards and managers of REA borrowers, and that they will be adopted wherever applicable.

Our purpose in sending you these Bulletins is to provide you with background information that may be helpful to your board and manager and staff. The details of any procedures which may from time to time necessitate or invite action on your part will come to you, as in the past, from the appropriate REA division.

Claude R. Wickard

Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PLANT INDUSTRY
WASHINGTON, D. C.

Report of the Director of the Bureau of Plant Industry
for the year 1917

CONTENTS

Introduction of the Bureau of Plant Industry for the year 1917

The Bureau of Plant Industry is a part of the Department of Agriculture, and its work is to promote the growth and development of the plant industry of the United States. It is a bureau of research, and its work is to discover the principles of plant growth and development, and to apply these principles to the production of plants for the use of man and the improvement of the plant industry of the United States.

The Bureau of Plant Industry is organized into several divisions, each of which is responsible for a particular branch of the plant industry. These divisions are: the Division of Horticulture, the Division of Forestry, the Division of Agriculture, the Division of Plant Pathology, the Division of Plant Physiology, the Division of Plant Breeding, the Division of Plant Industry, and the Division of Plant Research.

The Bureau of Plant Industry is a bureau of research, and its work is to discover the principles of plant growth and development, and to apply these principles to the production of plants for the use of man and the improvement of the plant industry of the United States. It is a bureau of research, and its work is to discover the principles of plant growth and development, and to apply these principles to the production of plants for the use of man and the improvement of the plant industry of the United States.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Numbering and Classification of Administrative Bulletins

The following is an outline of the manner in which Administrative Bulletins are numbered and classified.

Numbering System

Each Bulletin is assigned a number in sequence as issued. Each time a new Bulletin is issued, it will be given the next consecutive number. No supplements will be issued. When an existing Bulletin is revised or amended, the entire Bulletin will be reissued and an "R" added to the number, e.g., "61R1," "61R2," etc.

Subject Matter Classification System

In addition to its number, each Bulletin is given a subject-matter classification symbol. This appears in the upper right-hand corner, along with the date of issuance. The subject matter classification system is intended to facilitate the filing of the Bulletins by subject matter categories if this is desired.

The letters indicate various major program activities. For example, the letter "L" is used on Bulletins dealing with the loan activities. The letter "B" is the symbol for borrowers' activities and problems involving advice and assistance. Further subdivisions are provided by the addition of other letters. For instance, "BF" relates to borrowers' financing, accounting and handling of funds. "BFP" relates to patronage refunds, capital and equities.

Additional Bulletins issued under the same symbol are indicated by the number following the letters, e.g. "BFP-1" and "BFP-2". Whenever a revision is made, there is added to the symbol the letter "r" in parentheses.

Filing

As has been indicated, the Administrative Bulletins may be filed by either of two methods: (1) on a numerical basis, or (2) on a subject matter basis using the classification symbols. Because of its ease of reference, the numerical system is used in this book.

Indexing

At regular intervals two indices will be issued. One will list the Administrative Bulletins in numerical order together with the classification symbol, the title of the Bulletin and its effective date. This index will provide the basis for determining that all Bulletins issued have been received and also will provide a means of cross reference between the Bulletin numbers and classification symbols. The other will be a subject-matter index presenting an alphabetical listing of the Bulletins which will refer to the particular Bulletin number as well as the classification symbol.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

NUMERICAL INDEX AND CLASSIFICATION SYMBOLS
OF
ADMINISTRATIVE BULLETINS
FOR THE
ELECTRIFICATION PROGRAM

NO.	SYMBOL	SUBJECT	DATE
1	B-6(rB3)	Guiding Statement of REA Policy Concerning Its Relationship with Borrowers	6-8-50
2	B-5(rB2)	Assistance to Borrowers in Respect of Business Management and Technical Operating Matters	5-30-50
3	B-4(rB1)	Relationships with Associations of Borrowers	5-30-50
4	BA-2(rB1)	Assistance in Organization and in Preparation of Applications for Loans	5-30-50
5	BFF-4	Use of Loan Funds for Compensation for Rights-of-Way Easements and Releases	5-31-50
6-R1	BFF-8(r7)	Use of General or Other Non-Loan Funds by Borrowers for Extensions or Addi- tions; Reimbursement of Such General Funds Expenditures from Loan Funds	10-3-50
7	MZ-30(r21)	Authorization to Certify Requisitions for Loan Funds	8-10-50
8	MZ-31(r26)	Authorization to Certify REA Adminis- trative Vouchers	8-10-50
9	BFF-6(rM3,4,5)	Borrowers' General and Operating Funds	6-8-50
10	BFK-3(rB2,1)	Depreciation to be Charged by REA Borrowers	5-30-50
11		(In process of review)	

NO.	SYMBOL	SUBJECT	DATE
12	BFP-4(rB3,M2)	Capital of REA Cooperatives Furnished through Patronage	5-31-50
13	BFX-4(rB1)	Use of General Funds of REA Borrowers for Educational Purposes	5-31-50
14-R1	BFX-6(r3)	Final Payments by Borrowers to Their Contractors and Engineers	10-3-50
15	BFX-5(rM3)	Payment of Fees and Expenses to Directors or Trustees	6-2-50
16		(Superseded by #121)	
17		(Superseded by #40)	
18	BKG-4(rM1)	Approval of Engineering Services for Electrification Borrowers	5-31-50
19		(Superseded by #48)	
20	BKP-3(rB1,M2)	Maintaining an Informed Cooperative Membership	6-8-50
21	BMGG-3(rB1)	Assistance to Borrowers on Legislative Matters	5-31-50
22	BMGL-3(rB1)	Labor Relations	6-9-50
23		(In process of review)	
24	BMGM-2(rB1)	Merchandizing Activities	6-5-50
25	BMGN-9(rB1)	Borrowers' Insurance and Bonds	5-22-50
26	BMGN-10(rB4, 6)	Insurance and Performance Bond Requirements of Borrowers' Contractors	5-22-50
27	BMGN-11(rB2, 5,7)	Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations	5-30-50
28	BMGN-12(rB8, 3)	Minimum Requirements with Respect to Insurance of Borrowers' Engineers	5-30-50
29		(In process of review)	
30	BMPG-3(rB2)	Submission by Borrowers of Financial Statements to Private Firms for Credit Rating Purposes	5-19-50

NO.	SYMBOL	SUBJECT	DATE
31	BMGT-4(rB1)	Assistance to Borrowers on Tax Matters	6-9-50
32	BMGT-3(rB2)	Payment of Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise Taxes	5-31-50
33	BMPR-5(rB1)	Rates and Purchase or Sale of Electric Energy at Wholesale	6-8-50
34	BMPR-6(rB2)	Recommended Charges to Consumers for Special Line Extensions	10-3-50
35	BMPR-4(rB3, MLM2)	Retail Rates	6-8-50
36	MA-1	Internal Audit Program	8-10-50
37	BMPU-2(rB1, ML)	Assistance to Borrowers in Their Promotion of Beneficial Uses of Electricity and Related Member Education Activities	6-8-50
38	BPC-2(rB1)	Physical and Inductive Coordination of REA Borrowers' Electric Systems with Communication Systems	5-30-50
39	BPDD-2(rB1, BPDK-B1)	Assistance to Borrowers in Design and Construction of Electrical Facilities and Related Activities	6-1-50
40	BKG-7(r3)	Constitution of the Board of Directors of an REA Power-Type Cooperative	8-10-50
41	BPDK-3(rB2)	Award of Borrowers' Construction Contracts	5-30-50
42	BPDM-4(rB1, ML)	Meter Loop Installations	5-30-50
43	BPDM-3(rB2)	Selection of Type of Conductor for Distribution and Transmission Lines	5-30-50
44	BPDM-5(rM2)	Pole and Related Timber Products Used in Connection with the Construction of Borrowers' System Facilities	6-7-50
45	BPDV-2(rM1)	Method of Determining the Length of an Electric Line	5-30-50

NO.	SYMBOL	SUBJECT	DATE
46	BPP-8(rB1)	Development of Electrical Facilities	5-30-50
47	BPP-9(rB2, 4,M1)	Area Boundaries and Territorial Agree- ments	5-31-50
48	BKG-8(r5)	Selection of a Manager of a Rural Elec- trification Administration Borrower	8-18-50
49	MR-7(r6)	Promotion From Within and Advertisement of Vacancies	8-18-50
50	BPP-11(rB5, M2)	Headquarters Facilities for Distribution- type Borrowers	6-8-50
51	BPP-10(rB7, M4)	Borrowers' Two-Way Communication Facilities	5-31-50
52	BPS-2(rM1)	Removal and Sale of a Portion of a Bor- rower's System Located on Land Acquired by Federal, State or Territorial Govern- mental Agencies	5-30-50
53	G-2(rM1)	Responsibilities for Activities with Bor- rowers Concerning Their Distribution, Generation or Transmission Facilities	5-31-50
54		(In process of review)	
55	GF-2(rB1, BFK-M1)	Borrowers' Records -- Establishment, Maintenance, and Audit Thereof	6-3-50
56	L-2(rB1)	Electrification Loan Policy	5-30-50
57	LD-2(rB1)	Application of Advance Payments	5-31-50
58	LN-2(rB1,M1)	Announcement of the Approval of a Loan	5-30-50
59	LPCD-4(rB1)	Applications for Member Extension Loans	5-30-50
60	LPCD-3(rB2)	Off-Peak Water Heater or Other Load Control Equipment	5-17-50
61	LPCU-2(rB1)	Generation Loans and Transmission Loans	5-30-50
62	LPK-2(rB1)	Loans Involving Provisions for the Acqui- sition of Existing Electric Facilities	6-9-50

NO.	SYMBOL	SUBJECT	DATE
63		(In process of review)	
64	LPRP-3(rB2)	Loans for Replacements of Borrowers' Property and System Improvements	5-31-50
65		(Superseded by #75)	
66		(Superseded by #118)	
67	LW-2(rB1,M1, 3,4)	Section 5 Loans (Exclusive of Loans for Refrigeration Locker Plants)	5-30-50
68	LW-5(rM2)	Loans for Refrigeration Locker Plants	5-30-50
69	LB-1	Budgetary Control and Advance of Section 4 Loan Funds	8-17-50
70	LB-2	Placing and Releasing of Stop Orders	8-17-50
71	LX-2(rB1,M1)	Extension of Time of Payment of Interest or Principal Pursuant to Section 12 of the Rural Electrification Act of 1936, as Amended	5-29-50
72	M-31(rM3)	Review, Processing and Distribution of Informational Material	5-31-50
73	M-30(rM4)	Referral and Routing of Official Incoming Communications	5-30-50
74	M-33(rM10,11, 13,16,19, 20)	Identification of Borrowers, Applications and Loans	5-31-50
75	LS-3(r2)	Determination of Economic Feasibility of Self-Liquidity of Proposed Distribution Loans	9-8-50
76	M-29(rM14,1,8)	Identification of Construction Contracts	5-31-50
77	BKG-9(r6)	Approval of Borrower's Attorney and Attorney's Fees	9-19-50
78	M-34(rM17)	Overtime Work	6-1-50
79	MZ-33(rM16)	Authorization to Approve Contracts and Other Agreements Related to Borrowers' Construction Activities -- Power Division	8-21-50

NO.	SYMBOL	SUBJECT	DATE
80	M-26(rM2,5, 21)	Certification and Audit of Administrative Payrolls	5-29-50
81	M-28(rM6,9, 22)	Hours of Duty	5-30-50
82	M-27(rM7,23)	Travel Reports	5-30-50
83	M-32(rM24,B1)	Preparation and Approval of Forms and Records for Duplication	5-30-50
84	M-25	Indexing System for Memoranda to Borrowers, Contractors, Engineers, Suppliers, and to Others Outside REA	5-2-50
85	MD-2(rM1)	Maintenance and Disposition of Records, Including Correspondence and Documents	5-29-50
86	MF-2(rM1)	Establishment of Reserves for Possible Losses on Loans	5-19-50
87		(In process of review)	
88	MM-3(rM2)	Scales for Key and Detail Maps	5-30-50
89		(Superseded by #49)	
90		(In process of review)	
91	MR-5(rM4,2)	Classification of Positions in Departmental Service	5-30-50
92	MT-10(rM2,3)	Approval for Travel	5-29-50
93	MT-11(rM5)	Advances of Funds for Per Diem, Mileage, and Transportation of Household Goods	5-29-50
94	MT-9(rM4,6, 7,8)	Per Diem and Mileage Rates for REA Travelers	5-22-50
95		(In process of review)	
96		(In process of review)	
97	MZ-25(rM1)	Authorization to Execute Certificates Concerning a Borrower's Status	5-29-50
98	MZ-23(rM2)	Authorization to Make Affidavits with Respect to the Recording and Filing of Mortgages and Deeds of Trust	5-26-50

NO.	SYMBOL	SUBJECT	DATE
99	MZ-24(rM3)	Authorization to Execute Certificates Regarding a Borrower's Incorporation	5-26-50
100	MZ-27(rM4)	Authorization to Approve Depositories for the Funds of Borrowers	5-30-50
101		(Superseded by #77)	
102	MZ-22(rM6)	Authorization to Make Endorsements and Assignments of Consumer Notes and Other Collateral Under Section 5 of the Act, as Amended	5-19-50
103		(Superseded by #7)	
104	MZ-28(rM14)	Authority to Sign Written Outgoing Communications	5-30-50
105	MZ-32(rM16)	Authorization to Approve Contracts and Other Agreements Related to Borrowers' Construction Activities -- Engineering Division	8-21-50
106		(In process of review)	
107	MZ-29(rM18)	Relations with Chief Disbursing Officer, United States Treasury Department	5-30-50
108		(Superseded by #8)	
109	RB-2(rB1)	Relations with Equipment Manufacturers	5-31-50
110	RB-3(rM2)	Approval of Farm and Household Electrical Equipment	5-31-50
111	RFB-2(rM1)	Restrictions Concerning Appearances Before or Attendance at Hearings or Conferences of Public Regulatory Bodies and Agencies or at Court Proceedings and Concerning Discussions with Public Officials	5-30-50
112		(In process of review)	
113		(In process of review)	
114		(In process of review)	
115	MZ-20(rM7,15, 17)	Authorization to Sign Travel Orders	5-16-50

NO.	SYMBOL	SUBJECT	DATE
116	T-1	Acceptance of Specifications, Drawings, Materials and Equipment -- Technical Standards Committee	5-31-50
117	Z-1	Administrative Policy Advisory Committee -- Membership, Functions and Operation	5-16-50
118	LT-5(r4)	Modifications of Loan Policy of Rural Elec- trification Administration in Consequence of Title V of the Department of Agriculture Organic Act of 1944	6-7-50
119	BPDK-4	Methods of Construction of Borrowers' Facilities and Purchase of Materials and Equipment (Excluding General Plant Items)	6-8-50
120	BMGL-4	Payment of Prevailing Wages in Connection with Construction of Electric Facilities by REA Borrowers	9-8-50
121	BK-3(r2)	Assistance to Borrowers Concerning Coopera- tive Principles and Methods	9-28-50
122	LN-3	Administrative Orders	10-3-50
123	ML-1	Employee Council -- Purpose, Membership and Responsibilities	10-3-50

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

SUBJECT-MATTER INDEX
OF
ADMINISTRATIVE BULLETINS
FOR THE
ELECTRIFICATION PROGRAM

SUBJECT	DATE	NO.	SYMBOL
Acceptance of Specifications, Drawings, Materials and Equipment -- Technical Standards Committees	5-31-50	116	T-1
Accounting by REA Borrowers: Deprecia- tion	5-30-50	10	BFK-3(rB2,1)
Acquisition; Loans Providing for Acqui- sition of Existing Electric Facilities	6-9-50	62	LPK-2(rB1)
Administrative Fund Expenditures	5-30-50	107	MZ-29(rM18)
Administrative Orders	10-3-50	122	LN-3
Administrative Payrolls: Certification and Audit of	5-29-50	80	M-26(rM2,5,21)
Administrative Policy Advisory Committee -- Membership, Functions and Operation	5-16-50	117	Z-1
Administrative Vouchers: Authorization to Certify REA	8-10-50	8	MZ-31(r26)
Advance Payments: Application of	5-31-50	57	LD-2(rB1)
Advance of Section 4 Loan Funds: Budgetary Control and	8-17-50	69	LB-1
Advances of Funds for Per Diem, Mileage, and Transportation of Household Goods	5-29-50	93	MT-11(rM5)
Advertisement of Vacancies; Promotion from Within and	8-18-50	49	MR-7(r6)
Affidavits with Respect to the Record- ing and Filing of Mortgages and Deeds of Trust	5-26-50	98	MZ-23(rM2)
Agreements, Area Boundaries and Territorial	5-31-50	47	BPP-9(rB2,4,M1)
Announcement of the Approval of a Loan	5-30-50	58	LN-2(rB1,M1)
Appearances Before or Attendance at Hearings or Conferences of Public Regulatory Bodies and Agencies or at Court Proceedings, Restrictions Con- cerning	5-30-50	111	RFB-2(rM1)

SUBJECT	DATE	NO.	SYMBOL
Applications for Member Extension Loans	5-30-50	59	LPCD-4(rB1)
Application of Advance Payments	5-31-50	57	LD-2(rB1)
Applications for REA Loans, Identification of	5-31-50	74	M-33(rM10,11,13, 16,19,20)
Approval for Travel	5-29-50	92	MT-10(rM2,3)
Approval of a Loan, Announcement of	5-30-50	58	LN-2(rB1,M1)
Approval of a Manager of a Rural Electrification Administration Borrower	8-18-50	48	BKG-8(r5)
Approval of Borrower's Attorney and Attorney's Fees	9-19-50	77	BKG-9(r6)
Approval of Engineering Services for Electrification Borrowers	5-31-50	18	BKG-4(rM1)
Approval of Farm and Household Electrical Equipment	5-31-50	110	RB-3(rM2)
Approval of Forms and Records for Duplication: Preparation and	5-30-50	83	M-32(rM24,B1)
Area Boundaries and Territorial Agreements	5-31-50	47	BPP-9(rB2,4,M1)
Assistance in Organization and in Preparation of Applications for Loans	5-30-50	4	BA-2(rB1)
Assistance to Borrowers Concerning Cooperative Principles and Methods	9-28-50	121	BK-3(r2)
Assistance to Borrowers in Design and Construction of Electrical Facilities and Related Activities	6-1-50	39	BPDD-2(rB1, BPKD-B1)
Assistance to Borrowers in Respect of Business Management and Technical Operating Matters	5-30-50	2	B-5(rB2)
Assistance to Borrowers in Their Promotion of Beneficial Uses of Electricity and Related Member Education Activities	6-8-50	37	BMPU-2(rB1,M1)
Assistance to Borrowers on Legislative Matters	5-31-50	21	BMGG-3(rB1)
Assistance to Borrowers on Tax Matters	6-9-50	31	BMGT-4(rB1)
Associations of Borrowers, Relationships with	5-30-50	3	B-4(rB1)
Attendance at Board Meetings, Payments for	6-2-50	15	BFX-5(rM3)
Attorney, Approval of Borrower's; and Attorney's Fees	9-19-50	77	BKG-9(r6)
Audit of Administrative Payrolls: Certification and	5-29-50	80	M-26(rM2,5,21)

SUBJECT	DATE	NO.	SYMBOL
Audit of Borrower's Records -- Estab- lishment and Maintenance	6-3-50	55	GF-2(rB1)
Audit Program: Internal	8-10-50	36	MA-1
Authority to Sign Written Outgoing Communications	5-30-50	104	MZ-28(rM14)
Authorization to Approve Contracts and Other Agreements Related to Borrowers' Construction Activities -- Engineering Division	8-21-50	105	MZ-32(rM16)
Authorization to Approve Contracts and Other Agreements Related to Borrowers' Construction Activities -- Power Division	8-21-50	79	MZ-33(rM16)
Authorization to Approve Depositories for the Funds of Borrowers	5-30-50	100	MZ-27(rM4)
Authorization to Certify REA Adminis- trative Vouchers	8-10-50	8	MZ-31(r26)
Authorization to Certify Requisitions for Loan Funds	8-10-50	7	MZ-30(r21)
Authorization to Execute Certificates Concerning a Borrower's Status	5-29-50	97	MZ-25(rM1)
Authorization to Execute Certificates Regarding a Borrower's Incorporation	5-26-50	99	MZ-24(rM3)
Authorization to Make Affidavits with Respect to the Recording and Filing of Mortgages and Deeds of Trust	5-26-50	98	MZ-23(rM2)
Authorization to Make Endorsements and Assignments of Consumer Notes and Other Collateral Under Section 5 of the Act, as amended	5-19-50	102	MZ-22(rM6)
Authorization to Sign Travel Orders	5-16-50	115	MZ-20(rM7,15,17)
Award of Borrowers' Construction Contracts	5-30-50	41	BPDK-3(rB2)

SUBJECT	DATE	NO.	SYMBOL
Basic Policy Concerning REA Relationship with Borrowers	6-8-50	1	B-6(rB3)
Board of Directors of an REA Power-Type Cooperative, Constitution of	8-10-50	40	BKG-7(r3)
Bonds and Insurance: Borrowers'	5-22-50	25	BMGN-9(rB1)
Borrowers' Engineers: Minimum Requirements with Respect to Insurance of	5-30-50	28	BMGN-12(rB8,3)
Borrowers' General and Operating Funds	6-8-50	9	BFF-6(rM3,4,5)
Borrowers: Guiding Statement of REA Policy Concerning Its Relationship with	6-8-50	1	B-6(rB3)
Borrowers: Identification by Classes and Loan Purpose	5-31-50	74	M-33(rM10,11,13,16,19,20)
Borrowers' Insurance and Bonds	5-22-50	25	BMGN-9(rB1)
Borrowers' Labor Relations	6-9-50	22	BMGL-3(rB1)
Borrowers' Records - Establishment, Maintenance, and Audit Thereof	6-3-50	55	GF-2(rB1)
Borrower's Status: Authorization to Execute Certificates Concerning	5-29-50	97	MZ-25(rM1)
Borrowers' Tax Matters: Assistance on	6-9-50	31	BMGT-4(rB1)
Borrowers' Two-Way Communication Facilities	5-31-50	51	BPP-10(rB7,M4)
Boundaries and Territorial Agreements	5-31-50	47	BPP-9(rB2,4,M1)
Budgetary Control and Advance of Section 4 Loan Funds	8-17-50	69	LB-1

Capital Credits: Capital of REA Cooperatives Furnished through Patronage Capital	5-31-50	12	BFP-4(rB3,M2)
Capital of REA Cooperatives Furnished through Patronage	5-31-50	12	BFP-4(rB3,M2)

SUBJECT	DATE	NO.	SYMBOL
Certificates Concerning a Borrower's Status: Authorization to Execute	5-29-50	97	MZ-25(rM1)
Certificates Regarding a Borrower's Incorporation: Authorization to Execute	5-26-50	99	MZ-24(rM3)
Certification and Audit of Administrative Payrolls	5-29-50	80	M-26(rM2, 5, 21)
Certify REA Administrative Vouchers: Authorization to	8-10-50	8	MZ-31(r26)
Classification of Divisional Memoranda to Borrowers, Contractors, Engineers, Suppliers, and to others outside REA	5-2-50	84	M-25
Classification of Positions in Departmental Service	5-30-50	91	MR-5(rM4, 2)
Committee — Membership, Functions, and Operation: Administrative Policy Advisory	5-16-50	117	Z-1
Committee on Approval of Managers	8-18-50	48	BKG-8(r5)
Communication Facilities: Borrowers' Two-Way	5-31-50	51	BPP-10(rB7, M4)
Communications: Authority to Sign Written Outgoing	5-30-50	104	MZ-28(rM14)
Communications: Referral and Routing of Official Incoming	5-30-50	73	M-30(rM4)
Conductor for Distribution and Transmission Lines: Selection of Type of	5-30-50	43	BPDM-3(rB2)
Constitution of the Board of Directors of an REA Power-Type Cooperative	8-10-50	40	BKG-7(r3)
Construction Activities — Engineering Division: Authorization to Approve Contracts and Other Agreements Related to Borrowers'	8-21-50	105	MZ-32(rM16)
Construction Activities — Power Division: Authorization to Approve Contracts and Other Agreements Related to Borrowers'	8-21-50	79	MZ-33(rM16)
Construction Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
Construction and Design of Electrical Facilities and Related Activities: Assistance to Borrowers in	6-1-50	39	BPDD-2(rB1, BPDK-B1)
Construction Contracts: Award of Borrowers'	5-30-50	41	BPDK-3(rB2)

SUBJECT	DATE	NO.	SYMBOL
Construction Contracts: Identification of	5-31-50	76	M-29(rM14,1,8)
Construction Methods: Selection of and Purchase of Materials and Equipment (Excluding General Plant Items)	6-8-50	119	BPDK-4
Construction of Borrowers' System Facilities, Poles and Related Timber Products Used in Connection with the	6-7-50	44	BPDM-5(rM2)
Construction of Electric Facilities by REA Borrowers: Payment of Prevailing Wages in Connection with	9-8-50	120	BMGL-4
Consumer Loans: Terms and Conditions for Wiring, Plumbing, and Electrical Equipment Eligible for Financing through Section 5 Loans	5-30-50	67	LW-2(rB1,M1,3,4)
Consumer Notes and Other Collateral: Authorization to Make Endorsements and Assignments Under Section 5 of the Act, as amended	5-19-50	102	MZ-22(rM6)
Consumers on Special Line Extensions: Recommended Charges	6-9-50	34	BMPR-6(rB2)
Contractors and Engineers; Final Payments by Borrowers	10-3-50	14-R1	BFX-6(r3)
Contractors: Insurance and Performance Bond Requirements of Borrowers'	5-22-50	26	BMGN-10(rB4,6)
Contracts and Other Agreements Related to Borrowers' Construction Activities --Engineering Division: Authorization to Approve	8-21-50	105	MZ-32(rM16)
Contracts and Other Agreements Related to Borrowers' Construction Activities --Power Division: Authorization to Approve	8-21-50	79	MZ-33(rM16)
Contracts: Construction; Award of Borrowers'	5-30-50	41	BPDK-3(rB2)
Cooperative Membership; Maintaining an Informed	6-8-50	20	BKP-3(rB1,M2)
Cooperative Principles and Methods, Assistance to Borrowers	9-28-50	121	BK-3(r2)
Correspondence and Documents: Maintenance and Disposition of	5-29-50	85	MD-2(rM1)
Credit Rating Purposes: Submission by Borrowers of Financial Statements to Private Firms for	5-19-50	30	BMPG-3(rB2)

SUBJECT	DATE	NO.	SYMBOL
Deeds of Trust and Mortgages: Affidavits Concerning Recording and Filing of	5-26-50	98	MZ-23(rM2)
Deferment of Payment of Interest or Principal Pursuant to Section 12 of the Rural Electrification Act of 1936, as Amended	5-29-50	71	LX-2(rB1,M1)
Depositories for the Funds of Borrowers: Authorization to Approve	5-30-50	100	MZ-27(rM4)
Departmental Service Positions, Classification of	5-30-50	91	MR-5(rM4,2)
Depreciation to be Charged by REA Borrowers	5-30-50	10	BFK-3(rB2,1)
Design Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
Design and Construction of Electrical Facilities and Related Activities; Assistance to Borrowers in	6-1-50	39	BPDD-2(rB1, BPDK-B1)
Designation of Borrowers, Applications and Loans	5-31-50	74	M-33(rM10,11,13, 16,19,20)
Designations: Identification of Construction Contracts	5-31-50	76	M-29(rM14,1,8)
Determination of Economic Feasibility or Self-liquidity of Proposed Distribution Loans	9-8-50	75	LS-3(r2)
Development of Electrical Facilities	5-30-50	46	BPP-8(rB1)
Directors, Payment of Fees and Expenses	6-2-50	15	BFX-5(rM3)

SUBJECT	DATE	NO.	SYMBOL
Disclosure of Information Concerning A Specific Borrower (In process of review)		112	RN-B1
Disposition and Maintenance of Records, Including Correspondence and Documents	5-29-50	85	MD-2(rM1)
Distribution, Generation or Transmission Facilities: Responsibilities for Acti- vities with Borrowers Concerning their	5-31-50	53	G-2(rM1)
Distribution Loans: Determination of Economic Feasibility or Self-liquidity of	9-8-50	75	LS-3(r2)
Distribution; Review and Processing of Informational Material	5-31-50	72	M-31(rM3)
Distribution Systems: Minimum Require- ments with Respect to Insurance and Fidelity Coverage for Borrowers' Operations	5-30-50	27	BMGN-11(rB2,5,7)
Divisional Memoranda to Borrowers, Con- tractors, Engineers, Suppliers, and to Others Outside REA: Classification of	5-2-50	84	M-25
Duplication: Preparation and Approval of Forms and Records for	5-30-50	83	M-32(rM24,B1)
Duty: Hours of	5-30-50	81	M-28(rM6,9,22)

Easements: Use of Loan Funds for Com- pensation for Releases and Right-of- Way	5-31-50	5	BFF-4(rB1)
Education: Assistance to Borrowers in Their Promotion of Beneficial Uses of Electricity and Related Member Educa- tion Activities	6-8-50	37	BMPU-2(rB1,M1)
Educational Purposes, Use of General Funds of REA Borrowers for	5-31-50	13	BFX-4(rB1)

SUBJECT	DATE	NO.	SYMBOL
Electric Energy: Purchase and Sale of at Wholesale	6-8-50	33	BMPR-5(rB1)
Electric Line: Method of Determining the Length of An	5-30-50	45	BPDV-2(rM1)
Electrical Equipment, Approval of Farm and Household	5-31-50	110	RB-3(rM2)
Electrical Equipment Eligible for Financing through Section 5 Loans	5-30-50	67	LW-2(rB1, M1, 3, 4)
Electrification Loan Policy	5-30-50	56	L-2(rB1)
Employee Council -- Purpose, Member- ship and Responsibilities	10-3-50	123	ML-1
Engineering Division: Authorization to Approve Contracts and Other Agreements Related to Borrowers' Construction Activities	8-21-50	105	MZ-32(rM16)
Engineering Services for Electrification Borrowers: Approval of	5-31-50	18	BKG-4(rM1)
Engineers: Final Payments by Borrowers to Their Contractors	10-3-50	14-R1	BFX-6(r3)
Engineers: Minimum Requirements with Respect to Insurance of Borrowers'	5-30-50	28	BMGN-12(rB8, 3)
Equipment: Acceptance of Specifications, Drawings, Materials and Equipment -- Technical Standards Committees	5-31-50	116	T-1
Equipment Manufacturers: Relations with	5-31-50	109	RB-2(rB1)
Equipment: Purchase of and Methods of Construction	6-8-50	119	BPDK-4
Equities of Members: Capital of REA Cooperatives Furnished Through Patron- age Capital	5-31-50	12	BFP-4(rB3, M2)
Establishment, Maintenance, and Audit of Borrowers' Records	6-3-50	55	GF-2(rB1)
Establishment of Reserves for Possible Losses on Loans	5-19-50	86	MF-2(rM1)
Execution of Certificates Concerning a Borrower's Status	5-29-50	97	MZ-25(rM1)
Expenses, Payment of to Directors for Board Meetings	6-2-50	15	BFX-5(rM3)
Extension Loans: Applications for Member	5-30-50	59	LPCD-4(rB1)
Extension of Time of Payment of Interest or Principal Pursuant to Section 12 of the Rural Electrification Act of 1936, as Amended	5-29-50	71	LX-2(rB1, M1)
Extensions in Maturity Dates of Loans, Pace Act; Modification of Loan Policy of Rural Electrification Administration in Consequence of Title V of Organic Act of 1944	6-7-50	118	LT-5(r4)

SUBJECT	DATE	NO.	SYMBOL
Extensions or Additions to Borrower's System; Reimbursement of Such General Fund Expenditures From Loan Funds	10-3-50	6-R1	BFF-8(r7)
Extensions: Recommended Charges to Consumers for Special Line	10-3-50	34	BMPR-6(rB2)
Extensions to Persons Receiving Central Station Service: Approval For	10-3-50	6-R1	BFF-8(r7)
Facilities: Responsibilities for Activities with Borrowers Concerning Their Distribution, Generation or Transmission	5-31-50	53	G-2(rM1)
Farm and Household Electrical Equipment, Approval of	5-31-50	110	RB-3(rM2)
Feasibility Studies: Determination of Self-liquidity of Proposed Distribution Loans	9-8-50	75	LS-3(r2)
Fees and Expenses to Directors or Trustees, Payment of	6-2-50	15	BFX-5(rM3)
Fees: Approval of Borrower's Attorney and Attorney's	9-19-50	77	BKG-9(r6)
Fidelity Coverage for Borrowers' Operations: Minimum Requirements with Respect to Insurance and	5-30-50	27	BMGN-11(rB2,5,7)
Files: Maintenance and Disposition of Records, Including Correspondence and Documents	5-29-50	85	MD-2(rM1)

SUBJECT	DATE	NO.	SYMBOL
Final Payments by Borrowers to Their Contractors and Engineers	10-3-50	14-R1	BFX-6(r3)
Financial Statements to Private Firms for Credit Rating Purposes: Submission of Borrowers of	5-19-50	30	BMPG-3(rB2)
Forms and Records for Duplication: Preparation and Approval of	5-30-50	83	M-32(rM24, B1)
Four-Way Memoranda: Budgetary Control and Advance of Section 4 Loan Funds	8-17-50	69	LB-1
Funds of Borrowers: Authorization to Approve Depositories for the	5-30-50	100	MZ-27(rM4)
General and Operating Funds, Borrowers'	6-8-50	9	BFF-6(rM3,4,5)
General Fund Expenditures: Reimburse- ment of, From Loan Funds, When Used For Extensions or Additions	10-3-50	6-R1	BFF-8(r7)
Generation or Transmission Facilities: Responsibilities for Activities with Borrowers Concerning their Distribu- tion,	5-31-50	53	G-2(rM1)
Generation and Transmission Systems: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations	5-30-50	27	BMGN-11(rB2,5,7)
General Funds, REA Borrowers' Use of for Educational Purposes	5-31-50	13	BFX-4(rB1)
Generation Loans and Transmission Loans	5-30-50	61	LPCU-2(rB1)
Group Purchase Orders (In process of review)		29	BMGP-B1, M2, M3

SUBJECT	DATE	NO.	SYMBOL
Guiding Statement of REA Policy Concerning Its Relationship with Borrowers	6-8-50	1	B-6(rB3)
Headquarters Facilities for Distribution-Type Borrowers	6-8-50	50	BPP-11(rB5,M2)
Hours of Duty	5-30-50	81	M-28(rM6,9,22)
Household Electrical Equipment, Approval of Farm and	5-31-50	110	RB-3(rM2)
Identification of Borrowers, Applications and Loans	5-31-50	74	M-33(rM10,11,13,16,19,20)
Identification of Construction Contracts	5-31-50	76	M-29(rM14,1,8)
Incorporation: Authorization to Execute Certificates Regarding a Borrower's	5-26-50	99	MZ-24(rM3)
Indexing System for Memoranda to Borrowers, Contractors, Engineers, Suppliers, and to Others Outside REA	5-2-50	84	M-25

SUBJECT	DATE	NO.	SYMBOL
Inductive Coordination, and Physical; of REA Borrowers' Electric Systems with Communication Systems	5-30-50	38	BPC-2(rB1)
Informational Material: Review, Pro- cessing and Distribution	5-31-50	72	M-31(rM3)
Inspection of Poles and Related Timber Products	6-7-50	44	BPDM-5(rM2)
Insurance and Bonds: Borrowers'	5-22-50	25	BMGN-9(rB1)
Insurance and Fidelity Coverage for Borrowers' Operations: Minimum Require- ments with Respect to	5-30-50	27	BMGN-11(rB2,5,7)
Insurance and Performance Bond Require- ments of Borrowers' Contractors	5-22-50	26	BMGN-10(rB4,6)
Insurance of Borrowers' Engineers: Minimum Requirements with Respect to	5-30-50	28	BMGN-12(rB8,3)
Internal Audit Program	8-10-50	36	MA-1
Labor Relations	6-9-50	22	BMGL-3(rB1)
Legislative Matters: Assistance to Borrowers on	5-31-50	21	BMGG-3(rB1)
Length of an Electric Line: Method of Determining	5-30-50	45	BPDV-2(rM1)
Line Extensions: Recommended Charges to Consumers for Special	6-9-50	34	BMPR-6(rB2)
Load Control Equipment: Off-Peak Water Heater or Other	5-17-50	60	LPD-3(rB2)
Loan: Announcement of the Approval of a	5-30-50	58	LN-2(rB1,M1)
Loan Applications, Assistance in and Preparation of Loan Applications	5-30-50	4	BA-2(rB1)
Loan Fund Expenditures	5-30-50	107	MZ-29(rM18)
Loan Funds: Budgetary Control and Advance of Section 4	8-17-50	69	LB-1
Loan Policy: Electrification	5-30-50	56	L-2(rB1)
Loans: Applications for Member Extension	5-30-50	59	LPD-4(rB1)

SUBJECT	DATE	NO.	SYMBOL
Loans Involving Provisions for Acquisition of Existing Electric Facilities	6-9-50	62	LPK-2(rB1)
Loan Schedule of Interest and Principal Payments; Modification of Loan Policy in Consequence of Title V of the Department of Agriculture Organic Act of 1944	6-7-50	118	LT-5(r4)
Loans: Establishment of Reserves for Possible Losses on	5-19-50	86	MF-2(rM1)
Loans: Extension of Time of Payment of Interest or Principal Pursuant to Section 12 of the Rural Electrification Act of 1936, as Amended	5-29-50	71	LX-2(rB1,M1)
Loans for Refrigeration Locker Plants	5-30-50	68	LW-5(rM2)
Loans for Replacements of Borrowers' Property and System Improvements	5-31-50	64	LPRP-3(rB2)
Loans: Generation Loans and Transmission	5-30-50	61	LPCU-2(rB1)
Loans: Identification of Borrowers, Applications, and Purpose	5-31-50	74	M-33(rM10,11,13,16,19,20)
Loans: Section 5(Exclusive of Refrigeration Locker Plants)	5-30-50	67	LW-2(rB1,M1,3,4)
Locker Plants: Loans for Refrigeration	5-30-50	68	LW-5(rM2)
Locker Plants: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations	5-30-50	27	BMGN-11(rB2,5,7)

Maintaining an Informed Cooperative Membership	6-8-50	20	BKP-3(rB1,M2)
Maintenance and Disposition of Records, Including Correspondence and Documents	5-29-50	85	MD-2(rM1)

SUBJECT	DATE	NO.	SYMBOL
Maintenance, Establishment, and Audit of Borrowers' Records	6-3-50	55	GF-2(rB1)
Management Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
Management and Technical Operating Assistance to Borrowers	5-30-50	2	B-5(rB2)
Manager of a Rural Electrification Administration Borrower: Selection of	8-18-50	48	BKG-8(r5)
Manufacturers: Equipment, Relations with	5-31-50	109	RB-2(rB1)
Maps: Scales for Key and Detail	5-30-50	88	MM-3(rM2)
Materials: Acceptance of Specifications, Drawings, Materials and Equipment -- Technical Standards Committees	5-31-50	116	T-1
Materials; Purchase of and Methods of Construction	6-8-50	119	BPKD-4
Member Education; Assistance to Borrowers in Their Promotion of Beneficial Uses of Electricity and Related Member Education Activities	6-8-50	37	BMPU-2(rB1, M1)
Member Extension Loans: Applications for	5-30-50	59	LPD-4(rB1)
Memoranda to Borrowers, Contractors, Engineers, Suppliers, and to Others			
Outside REA: Indexing System for	5-2-50	84	M-25
Merchandising Activities	6-5-50	24	BMGM-2(rB1)
Meter Loop Installations	5-30-50	42	BPKD-4(rB1, M1)
Method of Determining the Length of an Electric Line	5-30-50	45	BPKD-2(rM1)
Methods of Construction of Borrowers' Facilities and Purchase of Materials and Equipment (Excluding General Plant Items)	6-8-50	119	BPKD-4
Mileage, and Transportation of Household Goods: Advances of Funds for Per Diem	5-29-50	93	MT-11(rM5)
Mileage Rates for REA Travelers: Per Diem and	5-22-50	94	MT-9(rM4, 6, 7, 8)
Minimum Requirements with Respect to Insurance of Borrowers' Engineers	5-30-50	28	BMGN-12(rB8, 3)
Modifications of Loan Policy of Rural Electrification Administration in Consequence of Title V of the Department of Agriculture Organic Act of 1944	6-7-50	118	LT-5(r4)
Mortgages and Deeds of Trust: Affidavits Concerning Recording and Filing of	5-26-50	98	MZ-23(rM2)

SUBJECT	DATE	NO.	SYMBOL
Newsletters, Periodicals and Statewide Papers	6-8-50	20	BKP-3(rB1,M2)
Office Buildings; Headquarters Facilities for Distribution-Type Borrowers	6-8-50	50	BPP-11(rB5,M2)
Off-Peak Water Heater or Other Load Control Equipment	5-17-50	60	LPCD-3(rB2)
Operating and General Funds, Borrowers'	6-8-50	9	BFF-6(rM3,4,5)
Operating (Technical) and Business Management Assistance to Borrowers	5-30-50	2	B-5(rB2)
Operations and Maintenance Activities: Responsibilities with Borrowers Con- cerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
Orders: Administrative	10-3-50	122	LN-3
Organization: Assistance in and Prepara- tion of Applications for Loans	5-30-50	4	BA-2(rB1)
Overtime Work	6-1-50	78	M-34(rM17)

SUBJECT	DATE	NO.	SYMBOL
Pace Act Extensions; Modification of Loan Policy of Rural Electrification Administration in Consequence of Organic Act of 1944	6-7-50	118	LT-5(r4)
Patronage, Capital of REA Cooperatives Furnished through	5-31-50	12	BFP-4(rB3,M2)
Payment of Fees and Expenses to Directors or Trustees	6-2-50	15	BFX-5(rM3)
Payment of Interest or Principal Pursuant to Section 12 of the Rural Electrifi- cation Act of 1936, as Amended: Extension of Time of	5-29-50	71	LX-2(rB1,ML)
Payment of Prevailing Wages in Connection with Construction of Electric Facilities by REA Borrowers	9-8-50	120	BMGL-4
Payment of Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise Taxes	5-31-50	32	BMGT-3(rB2)
Payments: Application of Advance	5-31-50	57	LD-2(rB1)
Payments by Borrowers to Their Contrac- tors and Engineers: Final	10-3-50	14-R1	BFX-6(r3)
Payrolls: Certification and Audit of Administrative	5-29-50	80	M-26(rM2,5,21)
Per Diem and Mileage Rates for REA Travelers	5-22-50	94	MT-9(rM4,6,7,8)
Per Diem, Mileage, and Transportation of Household Goods: Advances of Funds for	5-29-50	93	MT-11(rM5)
Performance Bond Requirements of Bor- rowers' Contractors: Insurance and	5-22-50	26	BMGN-10(rB4,6)
Periodicals, Newsletters and Statewide Papers	6-8-50	20	BKP-3(rB1,M2)
Personnel: Employee Council -- Purpose, Membership and Responsibilities	10-3-50	123	ML-1
Physical and Inductive Coordination of REA Borrowers' Electric Systems with Communication Systems	5-30-50	38	BPC-2(rB1)
Placing and Releasing of Stop Orders	8-17-50	70	LB-2
Plumbing Equipment Eligible for Financ- ing through Section 5 Loans	5-30-50	67	LW-2(rB1,ML,3,4)
Pole and Related Timber Products Used in Connection with the Construction of Borrowers' System Facilities	6-7-50	44	BPDM-5(rM2)
Policy Advisory Committee -- Membership, Functions and Operation: Administrative	5-16-50	117	Z-1
Policy for Electrification Loans	5-30-50	56	L-2(rB1)

SUBJECT	DATE	NO.	SYMBOL
Power Division: Authorization to Approve Contracts and Other Agreements Related to Borrowers' Construction Activities	8-21-50	79	MZ-33(rM16)
Power Use: Assistance to Borrowers in Their Promotion of Beneficial Uses of Electricity and Related Member Educa- tion Activities	6-8-50	37	BMPU-2(rB1,M1)
Preloan Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
Preparation and Approval of Forms and Records for Duplication	5-30-50	83	M-32(rM24,B1)
Principles and Methods Concerning Cooperatives: REA Assistance	9-28-50	121	BK-3(r2)
Processing Work Orders (In process of review)		96	MW-M2
Promotion from Within and Advertisement of Vacancies	8-18-50	49	MR-7(r6)
Public Officials, Restrictions Concern- ing Discussions with	5-30-50	111	RFB-2(rM1)
Public Regulatory Bodies and Agencies and Court Proceedings, Restrictions Concerning Appearances Before or Attendance at Hearings or Conferences of	5-30-50	111	RFB-2(rM1)
Purchase of Materials and Equipment (Excluding General Plant Items)	6-8-50	119	BPDK-4
Purchase or Sale of Electric Energy at Wholesale	6-8-50	33	BMPR-5(rB1)
Purposes of REA Loans, Identification of	5-31-50	74	M-33(rM10,11,13, 16,19,20)

SUBJECT	DATE	NO.	SYMBOL
Radio: Borrower's Two-Way Communica- tions Facilities	5-31-50	51	BPP-10(rB7,M4)
Rates and Purchase or Sale of Electric Energy at Wholesale	6-8-50	33	BMPR-5(rB1)
Rates: Retail	6-8-50	35	BMPR-4(rB3,M1,2)
Rates: Recommended Charges to Consumers for Special Line Extensions	10-3-50	34	BMPR-6(rB2)
REA Records and Facilities (In process of review)		114	RS-M2
Recommended Charges to Consumers for Special Line Extensions	10-3-50	34	BMPR-6(rB2)
Records, Borrowers' -- Establishment, Maintenance and Audit Thereof	6-3-50	55	GF-2(rB1)
Records, Including Correspondence and Documents: Maintenance and Disposi- tion of	5-29-50	85	MD-2(rM1)
Referral and Routing of Official Incom- ing Communications	5-30-50	73	M-30(rM4)
Refrigeration Locker Plants: Loans for	5-30-50	68	LW-5(rM2)
Refrigeration Locker Plants: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations	5-30-50	27	BMGN-11(rB2,5,7)
Reimbursement of General Fund Expendi- tures Used For Extensions or Additions	10-3-50	6-1R	Bff-8(r7)
Relationships with Associations of Borrowers	5-30-50	3	B-4(rB1)
Relationship with Borrowers: Guiding Statement of REA Policy Concerning	6-8-50	1	B-6(rB3)
Relations: Labor	6-9-50	22	BMGL-3(rB1)
Relations with Chief Disbursing Officer, United States Treasury	5-30-50	107	MZ-29(rM18)
Relations with Equipment Manufacturers	5-31-50	109	RB-2(rB1)
Releasing of Stop Orders: Placing and	8-17-50	70	LB-2
Removal and Sale of a Portion of a Borrower's System Located on Land Acquired by Federal, State or Terri- torial Governmental Agencies	5-30-50	52	BPS-2(rM1)
Replacements: Loans for Replacements of Borrowers' Property and System Improvements	5-31-50	64	LPRP-3(rB2)
Reports: Travel	5-30-50	82	M-27(rM7,23)
Request for Travel: Approval of	5-29-50	92	MT-10(rM2,3)
Requirements of Borrowers' Contractors: Insurance and Performance Bond	5-22-50	26	BMGN-10(rB4,6)
Requisitions for Loan Funds: Authori- zation to Certify	8-10-50	7	MZ-30(r21)

SUBJECT	DATE	NO.	SYMBOL
Reserves Established from Borrowers' General and Operating Funds	6-8-50	9	BFF-6(rM3,4,5)
Reserves for Possible Losses on Loans: Establishment of	5-19-50	86	MF-2(rM1)
Responsibilities for Activities with Borrowers Concerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
Responsibilities for Poles and Related Timber Products	6-7-50	44	BPDM-5(rM2)
Retailing of Merchandise	6-5-50	24	BMGM-2(rB1)
Retail Rates	6-8-50	35	BMPR-4(rB3,M1,2)
Review, Processing and Distribution of Informational Material	5-31-50	72	M-31(rM3)
Right-of-Way Easements: Use of Loan Funds for Compensation of	5-31-50	5	BFF-4(rB1)
Routing and Referral of Official Incoming Communications	5-30-50	73	M-30(rM4)

Sale and Removal of a Portion of a Borrower's System Located on Land Acquired by Federal, State or Territorial Governmental Agencies	5-30-50	52	BPS-2(rM1)
Scales for Key and Detail Maps	5-30-50	88	MM-3(rM2)

SUBJECT	DATE	NO.	SYMBOL
Section 5 Loans, (Exclusive of Refrigeration Locker Plants)	5-30-50	67	LW-2(rB1, M1, 3, 4)
Section 5 Loans: Identification of by Purpose	5-31-50	74	M-33(rM10, 11, 13, 16, 19, 20)
Section 5 of the Act, as Amended: Authorization to Make Endorsements and Assignments of Consumer Notes and Other Collateral Under	5-19-50	102	MZ-22(rM6)
Section 12 of the Rural Electrification Act of 1936, as Amended: Extension of Time of Payment of Interest or Principal Pursuant to	5-29-50	71	LX-2(rB1, M1)
Selection of a Manager of a Rural Electrification Administration Borrower	8-18-50	48	BKG-8(r5)
Selection of Borrower's Engineer	5-31-50	18	BKG-4(rM1)
Selection of Type of Conductor for Distribution and Transmission Lines	5-30-50	43	BPDM-3(rB2)
Self-Liquidity Studies: Determination of Economic Feasibility of Distribution Loans	9-8-50	75	LS-3(r2)
Service to Persons Receiving Central Station Service: Approval For	10-3-50	6-R1	BFF-8(r7)
Specifications: Acceptance of Specifications, Drawings, Materials and Equipment -- Technical Standards Committees	5-31-50	116	T-1
Standards: Acceptance of Specifications, Drawings, Materials and Equipment -- Technical Standards Committees	5-31-50	116	T-1
Standards and Specifications on Poles and Related Timber Products	6-7-50	44	BPDM-5(rM2)
Standards: Development of Electrical Facilities	5-30-50	46	BPP-8(rB1)
Stop Orders: Placing and Releasing of	8-17-50	70	LB-2
Submission by Borrowers of Financial Statements to Private Firms for Credit Rating Purposes	5-19-50	30	BMFG-3(rB2)
Substation Facilities: Responsibilities for Activities with Borrowers Concerning their Distribution, Generation or Transmission Facilities	5-31-50	53	G-2(rM1)
System Designation	5-31-50	74	M-33(rM10, 11, 13, 16, 19, 20)
System Improvements: Loans for Replacements of Borrowers' Property and	5-31-50	64	LPRP-3(rB2)

SUBJECT	DATE	NO.	SYMBOL
Taxes: Payment of Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise	5-31-50	32	BMGT-3(rB2)
Tax Matters: Assistance to Borrowers	6-9-50	31	BMGT-4(rB1)
Technical Standards Committees: Acceptance of Specifications, Drawings, Materials and Equipment	5-31-50	116	T-1
Territorial and Area Boundaries, Agreements	5-31-50	47	BPP-9(rB2,4,M1)
Timber Products and Poles Used in Connection with the Construction of Borrowers' System Facilities	6-7-50	44	BPDM-5(rM2)
Transfers: Budgetary Control and Advance of Section 4 Loan Funds	8-17-50	69	LB-1
Transfer of Properties between REA Borrowers(In process of review)		95	MW-M1
Transmission Facilities: Responsibilities for Activities with Borrowers Concerning their Distribution, Generation or	5-31-50	53	G-2(rM1)
Transmission Loans: Generation Loans and	5-30-50	61	LPCU-2(rB1)
Transportation of Household Goods: Advances of Funds for Per Diem, Mileage and	5-29-50	93	MT-11(rM5)
Travel Advances: Advances of Funds for Per Diem, Mileage, and Transportation of Household Goods	5-29-50	93	MT-11(rM5)

SUBJECT	DATE	NO.	SYMBOL
Travel: Approval of	5-29-50	92	MT-10(rM2,3)
Travel Funds: Allotment by Divisions	5-29-50	92	MT-10(rM2,3)
Travel Orders: Authorization to Sign	5-16-50	115	MZ-20(rM7,15,17)
Travel: Per Diem and Mileage Rates for REA Travelers	5-22-50	94	MT-9(rM4,6,7,8)
Travel Reports	5-30-50	82	M-27(rM7,23)
Two-Way Communications Facilities, Borrowers'	5-31-50	51	BPP-10(rB7,M4)

Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise Taxes: Payment of	5-31-50	32	BMGT-3(rB2)
Use of General Funds of REA Borrowers for Educational Purposes	5-31-50	13	BFX-4(rB1)
Use of General or Other Non-Loan Funds by Borrowers For Extensions or Addi- tions: Reimbursement of Such General Funds Expenditures from Loan Funds	10-3-50	6-R1	BFF-8(r7)
Use of Loan Funds for Compensation for Right-of-Way Easements and Releases	5-31-50	5	BFF-4(rB1)

Vacancies: Promotion from Within and Advertisement of	5-18-50	49	MR-7(r6)
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SUBJECT	DATE	NO.	SYMBOL
Wages in Connection with Construction of Electric Facilities by REA Bor- rowers: Payment of Prevailing	9-8-50	120	BMGL-4
Water Heater or Other Load Control Equipment: Off-Peak	5-17-50	60	LPD-3(rB2)
Wholesale: Rates and Purchase or Sale of Electric Energy at	6-8-50	33	BMPR-5(rB1)
Wiring, Plumbing, and Electrical Equip- ment Eligible for Financing	5-30-50	67	LW-2(rB1, M1, 3, 4)
Work: Overtime	6-1-50	78	M-34(rM17)

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 1

SUBJECT: Guiding Statement of REA Policy Concerning Its
Relationship with Borrowers

POLICY:

1. The Rural Electrification Administration was established to execute a lending program designed to accomplish maximum area-coverage rural electrification on a self-liquidating basis. Moreover, the Rural Electrification Act of 1936, as amended, requires that the security for REA loans be determined by the Administrator to be reasonably adequate. These facts make it clear that it is the responsibility of REA to so act as to further the objectives of the Act in the attainment of rural electrification, and to protect the Government security interests.
2. In carrying out these responsibilities, REA shall render certain technical advice and assistance to its borrowers of a scope indicated by the defined responsibilities of the various divisions of REA. Such advice and assistance shall be limited to the necessary requirements of each particular case and shall be based on the following considerations:
 - (a) That each borrower is an entirely independent corporate body, locally owned and controlled, and existing pursuant to applicable State laws, and that each such borrower is itself responsible for the management of its own affairs, proper and successful construction and operation of its system, and the repayment of the REA loan.
 - (b) That the relationship between REA and an REA borrower is basically that of lender and borrower.

- (c) That the underlying objective shall be to move as far and as fast as is feasible toward a situation in which every borrower possesses the internal strength and soundness to guarantee its permanent success as an independent local enterprise.
- (d) That the advice and assistance shall be given in such a way as to promote the ability of the borrowers to handle their own affairs effectively and, in the case of cooperative borrowers, to strengthen their consumer ownership and control.
- (e) That, as the borrowers gain in experience and maturity, thus becoming better able to meet their obligations to the Government and to rural people, the advice and assistance rendered by REA shall progressively diminish.

RESPONSIBILITY AND PROCEDURE:

This Administrative Bulletin sets forth the basic policy to be followed by REA in its relations with borrowers and others in connection with the electrification program. Therefore, a detailed responsibility and procedure statement is not practicable. Divisional responsibility and procedure on particular subjects may be found under other Bulletins. REA staff members should refer to the index to obtain references to subject matter on which more detailed information is desired.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Guiding Statement of REA Policy Concerning Its
Relationship with Borrowers
Relationship with Borrowers; Guiding Statement of
REA Policy Concerning
Basic Policy Concerning REA Relationship with Borrowers
Borrowers; Guiding Statement of REA Policy
Concerning Its Relationship with

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 2

SUBJECT: Assistance to Borrowers in Respect of Business Management
and Technical Operating Matters

POLICY:

Business management and technical operating matters are responsibilities of borrowers as owners and managers of their systems, and it is assumed that as they acquire experience they will become progressively more efficient in these activities. However, in representing the Government as mortgagee, and furthering the Rural Electrification Act of 1936, as amended, it is a responsibility of the Rural Electrification Administration to offer to borrowers, and their representatives, assistance in these matters in particular situations. The assistance rendered in a specific instance should be limited to the requirements of the particular situation and to those aspects of the problem beyond the capacity of the borrower to handle because of general applicability or of the need for expert analysis and treatment. Subject to such limitations, the following major activities are illustrations of, but not inclusive of, the entire range of assistance:

1. As to technical operating matters, advice and information on: operation and maintenance of electric facilities; technical studies such as fuse coordination, grounding, voltage regulation, and load conditions; meter and oil testing; telephone, telegraph and radio interference; maintenance of service; material and equipment failures; line losses; technical problems of operating and maintaining installations on consumers' premises such as motors, motor starting equipment, brooders, incubators, pumps, and household appliances.
2. As to business management matters, advice and assistance on: organization matters; public relations; qualifications, pay, and assignment of personnel; training of managers and other personnel; planning of work procedures; office management; wholesale and

retail rates; operating budgets; operating and financial performance; member education and power use; meter reading; billing and collecting; depositories; taxes; insurance; purchase and transfer of materials and equipment; headquarters facilities; consolidation or rearrangement of specific systems; and procurement and maintenance of transportation equipment, tools, and work equipment.

3. As to accounting and auditing matters, advice and assistance: in establishment of uniform systems of accounts; design and installation of accounting records; instruction in handling or accounting for various types of financial transactions; instruction in maintenance and use of records and data derived from them; and assistance through auditing of records and providing audit reports.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Assistance to Borrowers in Respect of Business Management and
Technical Operating Matters
Management and Technical Operating Assistance to Borrowers
Operating (Technical) and Business Management Assistance to
Borrowers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 3

SUBJECT: Relationships with Associations of Borrowers

POLICY:

1. In representing the Federal Government as mortgagee, and in furthering the objectives of the Rural Electrification Act of 1936, as amended, the Rural Electrification Administration has a major and direct interest with respect to the administration and activities of each REA borrower or prospective borrower.
2. On occasion borrowers may desire to organize corporations or associations which are not of themselves borrowers or prospective borrowers, on a statewide or other group basis for the purpose of considering and taking group action on common problems and issues. Although the REA has no direct responsibility with respect to such non-borrowing corporations or associations, it will cooperate with such corporations or associations where such action will tend to promote the objectives of the RE Act.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.


Administrator

Index:

Associations of Borrowers, Relationships with
Relationships with Associations of Borrowers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

BA-2 (rB1)
5-30-50

Administrative Bulletin No. 4

SUBJECT: Assistance in Organization and in Preparation of
Applications for Loans

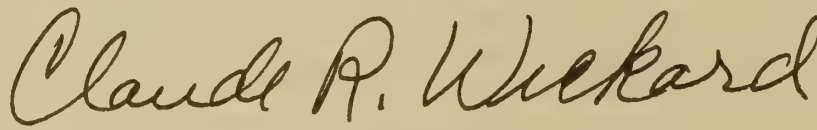
POLICY:

1. Adequate and proper organization activities initially and in the various phases of their development are the responsibilities of borrowers or prospective borrowers; preparation of applications for loans of all types is likewise a responsibility of borrowers or prospective borrowers, and it is assumed that as supplemental loans are planned, borrowers will become progressively more efficient in those activities. However, in the public interest and in representing the Government as actual or prospective mortgagee, and furthering the Rural Electrification Act of 1936, as amended, it is the responsibility of the Rural Electrification Administration to offer to borrowers and prospective borrowers, and their representatives, assistance in particular circumstances. The assistance rendered in a specific instance should be limited to the requirements of the particular situation and to those aspects of the problem beyond the capacity of the borrower or prospective borrower to handle. Subject to such limitations and as illustrations, but not inclusive of the entire range of potential assistance to borrowers or prospective borrowers in general in respect of these matters, are the following major activities:
 - a. Explaining the program and the loan requirements to interested persons or groups;
 - b. Advice and assistance in organization of cooperatives and of political subdivisions eligible to apply for and secure loans from REA;
 - c. Advice and assistance in the compiling of data necessary to, and in the preparation of, applications for loans under the RE Act.

RESPONSIBILITY AND PROCEDURE:

1. Applications and Loans Division: The Applications and Loans Division is responsible for:
 - a. explaining the program and loan requirements;
 - b. rendering advice and assistance on matters concerning preparation of loan applications; and
 - c. rendering advice and assistance to prospective borrowers on organization activities, consulting where appropriate the Management Division for distribution-type applicants and the Power Division for power-type applicants.
2. Management Division: The Management Division is responsible for rendering advice and assistance to distribution-type borrowers on organization matters.
3. Power Division: The Power Division is responsible for rendering advice and assistance to power-type borrowers on organization matters.

This Bulletin supersedes all other existing instructions in conflict with this Bulletin.


Administrator

Index:

Assistance in Organization and in Preparation of
Applications for Loans
Organization, Assistance in and Preparation of
Applications for Loans
Loan Applications, Assistance in and Preparation of
Loan Applications

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 5

SUBJECT: Use of Loan Funds for Compensation for Rights-of-Way
Easements and Releases

POLICY:

1. In discharging its responsibility with respect to the adequacy of the security for an electrification loan to any borrower, whether such borrower is a cooperative or other non-profit corporation, or a corporation for profit, the Rural Electrification Administration shall prescribe as a condition of such loan that each borrower shall with respect to rights-of-way:
 - a. For distribution lines, agree not to use any of the funds advanced on account of such loan to pay for easements obtained from landowners or releases obtained from lienors.
 - b. For transmission lines, agree not to use any such funds for such purposes unless and until the borrower, with the advice of its engineer, establishes the necessity therefor; submits schedules of rates of such payments for REA approval; estimates the amount of funds to be budgeted for such payments; and receives REA approval.

RESPONSIBILITY AND PROCEDURE:

1. The necessity for the use of loan funds and establishment of budgets for transmission line rights-of-way shall be approved in REA by the Engineering Division for distribution-type borrowers or by the Power Division for power-type borrowers. Each division, respectively, shall, where such payments are justified and approved, also approve all schedules of compensation proposed to be paid by the borrower for transmission line easements or releases, and shall specify such other terms and conditions as may be desirable to govern the use of loan funds for this purpose.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Right-of-Way Easements; Use of Loan Funds for Compensation for
Use of Loan Funds for Compensation for Right-of-Way Easements
and Releases
Easements; Use of Loan Funds for Compensation for Releases and
Right-of-Way

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 6-R1

SUBJECT: Use of General or Other Non-Loan Funds by Borrowers for Extensions or additions; Reimbursement of Such General Funds Expenditures from Loan Funds

POLICY:

1. It is the responsibility of the borrowers to determine the proper use and expenditure of their general funds. The Rural Electrification Administration, in representing the interest of the Government as mortgagee, and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, is properly concerned that expenditures of general funds, or other expenditures for additions or extensions to the borrower's system shall not impair the Government's security or the accomplishment of the objectives of the RE Act. To the extent that the provisions of the loan and security documents require the Administrator's approval for the construction or acquisition of extensions or additions to a borrower's system, approval is hereby given for the use of general funds for such extensions or additions subject to the following conditions:
 - a. That such extension or addition is within the scope of the borrower's corporate powers and that applicable provisions, if any, of federal and state law are complied with by the borrower;
 - b. That the Administrator has not taken any specific action with regard to the particular borrower indicating otherwise;
 - c. That the borrower is not in default in the payment of its obligations to the Government;
 - d. That such does not obligate future revenues of a borrower for the payment of such extensions or additions or result in a foreseeable default in the payment of any of such borrower's obligations;
 - e. That the construction or acquisition of primary lines or member extensions is not in excess of 5000 feet per single phase extension to lines of a borrower existing at the time the extension is made or that the purchase of general plant items is not in excess of \$2000 per item; and

- f. That the construction meets REA specifications and standards.
- 2. If a borrower desires to use general funds for the purpose of constructing or acquiring an extension or addition to its system or the purchase of a general plant item but is unable to meet the conditions set forth in a paragraph "1" hereof, such borrower shall obtain prior REA approval for such construction or acquisition.
 - 3. In any event, the borrower shall not construct extensions or additions which involve service to persons already receiving central-station electric service at the time such extension or addition was made, without the consent of the existing supplier.
 - 4. If a borrower uses general funds for the purpose of constructing or acquiring an extension or addition to its system or the purchase of a general plant item, consideration shall be given to subsequent reimbursement from REA loan funds only if the following conditions are satisfied:
 - a. The borrower has already received one or more loans from REA and the general plan and program are thus known to REA;
 - b. The expenditures thus sought to be reimbursed are in accordance with such general plan or program and in accordance with the objectives of the RE Act (self-liquidating Government loans, area-coverage rural electrification, etc.);
 - c. The construction (or acquisition) meets REA standards and requirements;
 - d. The borrower complies with paragraph "1" or "2" of this Bulletin;
 - e. The proposed reimbursement is determined to be consistent with the RE Act; and
 - f. Loan funds are available for the purpose of such reimbursement.
 - 5. If an expenditure, for which reimbursement from REA loan funds is sought, complies with all of the conditions specified in paragraph "4" except subparagraph 4 (d), such reimbursement may, nevertheless, be made provided it is determined that such reimbursement would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act. Such determination shall, in the case of primary lines or member extensions, be made by the Chief of the Applications and Loans Division and the Chief of the Engineering Division. In respect of general plant items, such determination shall be made by the Chiefs of the respective divisions within the scope of their assigned responsibilities.

The Management Division (or the Power Division, as the case may be) shall be responsible for recommendations to the borrower concerning the use of general funds. In either case, the authority of a Division Chief in this respect may be delegated to one or more Assistant Division Chiefs.

6. As used in this Bulletin:

The term "general Funds" shall mean all funds of a borrower except: REA loan funds, funds received from the sale of property and not authorized by the Administrator of REA to be placed in the Borrower's general account, and repayments by consumer facilities' loans;

The term "system" shall mean all of the property of the borrower, of every kind, carried in the borrower's plant account.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: For Distribution-type borrowers (excluding generation facilities), it is the responsibility of the Engineering Division to:
 - a. Approve plans and completed construction by the borrower of extensions in excess of 5000 feet single-phase line as well as of all multiphase lines;
 - b. Approve completed construction by the borrower of extensions of less than 5000 feet in accordance with REA standards and paragraph "1" of the above policy;
 - c. Determine that construction or acquisition or addition for which REA approval was not obtained and for which borrowers seek reimbursement meets REA construction standards and determine jointly with Applications and Loans Division that such reimbursement would be consistent with proper protection of the Government's security interests and would further the objectives of the RE Act. Such determination shall be made in accordance with paragraph "5" of the above policy.
 - d. Execute the policy concerning approval of extension to serve persons already receiving central-station service set forth in paragraph "3" of the above policy.
 - e. Approve purchase of general plant items in excess of \$2000 per item, for equipment used in connection with construction or technical operations and maintenance purposes including communication equipment.

- f. Approve purchase of general plant items of less than \$2000 per item in accordance with paragraph "1" of the above policy, for equipment used in connection with construction or technical operations and maintenance purposes including communication equipment.
- g. Determine that additions to the general plant used in connection with construction or technical operations and maintenance purposes including communication equipment for which REA approval was not obtained and for which borrowers seek reimbursement meet REA standards and determine, jointly with the Applications and Loans Division, that such reimbursement would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act. Such determinations shall be made in accordance with paragraph "5" of the above policy.

2. Management Division: For distribution-type borrowers (excluding generation facilities) it is the responsibility of the Management Division to:

- a. Approve purchase of general plant items in excess of \$2000 per item, for equipment other than that shown above in paragraph "1 (e)";
- b. Approve general plant items of less than \$2000 per item in accordance with paragraph "1" of the above policy, for equipment other than shown above in paragraph "1 (f)";
- c. Determine that additions to the general plant, for equipment other than that shown above in paragraph "1 (g)", for which REA approval was not obtained and for which borrowers seek reimbursement meet REA standards and determine, excluding the items covered in paragraphs "1 (e)" and "1 (f)" jointly with the Applications and Loans Division, that such reimbursement would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act. Such determinations shall be made in accordance with paragraph "5" of the above policy;
- d. Responsible for recommendations to the borrower concerning the use of general funds.

3. Power Division: For power-type borrowers and for generation facilities of distribution-type borrowers, it is the responsibility of the Power Division to discharge the applicable responsibilities set forth in paragraph "1" above for the Engineering Division and paragraph "2" for the Management Division.

4. Applications and Loans Division: It is the responsibility of the Applications and Loans Division to:
 - a. Recommend loans for the purpose of reimbursing general fund expenditures for construction or acquisition of extension or addition to a borrower's system that have been made in accordance with the above policy and as approved by the Engineering, Power or Management Divisions in accordance with their responsibilities as herein set forth;
 - b. Determine jointly with the Engineering, Power or Management Divisions, as the case may be, that reimbursement for construction or acquisition of extensions or additions for which REA approval was not obtained and for which borrowers seek reimbursements, would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act.
5. Finance Division: It is the responsibility of the Finance Division to :
 - a. Furnish the Applications and Loans, Management, Power, and Engineering Divisions a list of borrowers in default in the payment of their Government obligations;
 - b. Approve requisitions and advances of funds;
 - c. Maintain REA records on approved construction;
 - d. Establish accounting procedures for borrowers;
 - e. Audit borrowers' expenditures of loan funds;
 - f. Determine in specific cases the amount of general funds used for extensions and additions and the budget purposes which would be affected upon reimbursement.
6. Office of the Solicitor:

All cases in which the appropriate Division Chief or Chiefs approve reimbursement pursuant to paragraph "5" in the Policy statement above shall have theretofore been submitted to the Office of the Solicitor for approval.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Extensions or Additions to Borrowers System; Reimbursement of Such
General Fund Expenditures from Loan Funds
Extensions to Persons Receiving Central Station Service; Approval For
General Fund Expenditures; Reimbursement of, From Loan Funds, When
Used For Extensions or Additions
Reimbursement of General Fund Expenditures used For Extensions or
Additions
Service to Persons Receiving Central Station Service; Approval For
Use of General or Other Non-Loan Funds by Borrowers For Extensions
or Additions; Reimbursement of Such General Funds Expenditures
From Loan Funds

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 7

SUBJECT: Authorization to Certify Requisitions for Loan Funds

1. The Head of the Loan Accounts Section and, in his absence, the Chief, the Assistant Chief, or the Assistant to the Chief of the Finance Division, are authorized on behalf of the Administrator to certify borrowers' requisitions for loan funds.

This Bulletin supersedes Administrative Bulletin No. 103 and all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Certify Requisitions for Loan Funds
Requisitions for Loan Funds: Authorization to Certify

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 8

SUBJECT: Authorization to Certify REA Administrative Vouchers

1. The Head and Assistant Head of the Internal Accounting and Travel Section of the Administrative Services Division, and in their absence the Chief and Assistant Chief of the Finance Division, are authorized on behalf of the Administrator to certify all vouchers relating to administrative expenses of the Rural Electrification Administration.

This Bulletin supersedes Administrative Bulletin No. 108 and all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Certify REA Administrative Vouchers
Administrative Vouchers: Authorization to Certify REA
Certify REA Administrative Vouchers: Authorization to

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 9

SUBJECT: Borrowers' General and Operating Funds

POLICY:

1. The Rural Electrification Administration in representing the Government as mortgagee has a special responsibility to advise borrowers regarding their disposition of general and operating funds in such a manner as to assure the security of the loans. Accordingly, the following procedure is recommended to borrowers for use in their disposition of general and operating funds, provided state laws or other legal requirements do not necessitate other disposition.
2. At the end of each month the General and Operating Funds accounts (120.1, 122.0) should be adjusted to provide general and operating funds for the following month, and reserves for future needs, as follows:
 - a. An amount not to exceed 1.5 times the cash expenditures for such purposes during the corresponding month of the preceding year, together with such additional amount as may be required for such general and operating purposes by reason of any additions or extensions incorporated in the system during the preceding twelve months should be retained in General and Operating Funds accounts (120.1 and 122.0) for general and operating purposes (not including interest payments). Any excess over the aggregate amount so retained should be transferred to Reserve Funds accounts, as follows:
 - (1) An amount equal to interest (if any) accrued but not due during the month should be transferred to Long Term Debt Funds account (114.1a) for subsequent quarterly payment on current interest;
 - (2) of the remainder, a part representing one-third the pending quarterly payment on principal (if any) should also be transferred to Long Term Debt Funds account (114.1b) for subsequent quarterly payment on principal;

- (3) of the surviving remainder, a part representing .09% of the depreciable value of the system should be transferred to Renewal and Replacement Funds account (114.2) for application to ordinary replacements up to an amount equivalent to the cost of the retired property, any excess replacement cost to be financed from general funds or loan funds; and
 - (4) any surviving remainder should be transferred to Other Special Funds account (114.3) for subsequent application to advance payments on principal of Long Term Debt or for other appropriate corporate purposes.
- b. Except to the extent that the Administrator may approve the use of such funds for the construction or purchase of additions or extensions to the system, all of the funds in the accounts referred to in subsection (3) of Section A shall be promptly invested in bonds of the United States, and shall be withdrawn only for the purpose specified in Subsection (3); provided, however, that the Administrator may at any time require that all or any part of such funds which are, or otherwise would be, invested in bonds bearing 2% interest or less, shall in lieu of such investment be applied as advance payments on principal; and provided further, that nothing herein contained shall prevent the Administrator from requiring advance payments to the extent permitted by the mortgage, or prevent the borrower from at any time applying all or any part of the funds in such accounts as advance payments on principal.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for activities with respect to the execution of policy relating to borrowers' general and operating funds shall be as follows:
 - a. Management Division: For distribution-type borrowers, the Management Division shall be responsible for:
 - (1) Assistance to borrowers with reference to the handling and disposition of general and operating funds.
 - (2) Recommendations to the Administrator with reference to the use of borrowers' general and operating funds in those instances where such approval is required.

- b. Power Division: For power-type borrowers, the Power Division shall be responsible for:

The pertinent activities assigned the Management Division as outlined above, for power-type borrowers, except that with respect to funds retained for general and operating purposes, additional amounts may be established for stockpiling seasonal requirements for fuel and other generating plant stores.

- c. Finance Division: The Finance Division shall be responsible for:

Establishment of accounting procedures for use of borrowers and auditing of borrowers' records.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index;

Borrowers' General and Operating Funds
General and Operating Funds, Borrowers
Operating and General Funds, Borrowers
Reserves established from Borrowers' General
and Operating Funds

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 10

SUBJECT: Depreciation to be Charged by REA Borrowers

POLICY:

1. Borrowers of electrification loan funds shall record on an accrual basis each month an appropriate charge to reflect the estimated depreciation or decline in value of their capital assets in accordance with the following annual rates of depreciation for various plant items:

<u>Plant Item</u>	<u>Annual Rate</u>
Utility Plant	
Steam Production	2.52%
Internal Combustion	
High Speed	7.00%
Low Speed	3.00%
Distribution Plant	3.48%
General Plant	
Office Buildings - Wood	3.00%
Office Buildings - Concrete	2.00%
Office Furniture and Equipment	6.00%
Transportation Equipment	33.33%
Stores, Shop and Laboratory Equipment	6.00%
Communication Equipment	10.00%
Miscellaneous Equipment	4.00%

Depreciation for other plant items shall be charged in accordance with rates approved by the Administrator.

2. Depreciation rates specified by REA shall be used in so far as they do not conflict with applicable rules and regulations of Federal or State regulatory bodies having jurisdiction over the particular borrowers in such matters.

3. The charges made in accordance with these depreciation rates shall be reflected in the financial statements submitted by borrowers to the Rural Electrification Administration.
4. The effective date of applicability of these depreciation rates by all borrowers shall be that of initial energization.

RESPONSIBILITY AND PROCEDURE:

The Finance Division is responsible for informing borrowers and for the execution of this policy.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Accounting by REA Borrowers: Depreciation
Depreciation to be Charged by REA Borrowers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 12

SUBJECT: Capital of REA Cooperatives Furnished through Patronage

POLICY:

1. The conduct of the business of an REA Cooperative is the responsibility of the borrower as the owner of its system. The Rural Electrification Administration, in representing the Government as mortgagee and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, has a special concern with the assurance of a genuine, non-profit, cooperative organization for all REA Cooperatives -- with the interest of the individual member in the Cooperative being accurately and appropriately established.
2. Accordingly, the REA policy with respect to the capital of REA Cooperatives furnished through patronage shall, subject to any applicable restrictions of State law, be as follows:
 - a. Cooperatives shall be so operated that all amounts received from the furnishing of electric service to patrons, members and non-members alike, in excess of all operating expenses and deductions (including interest but not principal payments on indebtedness) properly chargeable against the furnishing of electric service shall be capital and amounts so received shall be determined and credited annually on a patronage basis in an appropriate record to a capital account for each patron. Such capital may be retired:
 - (1) On a revolving basis; or
 - (2) Some other equitable basis.
 - b. Cooperatives should defer the retirement of any capital so furnished by patrons until the Cooperatives have fulfilled their obligations to extend and improve electric service and their ability to repay in full their loan obligations to the United States of America is reasonably assured.

- c. To effectuate this policy, appropriate articles of incorporation and by-laws shall be recommended to cooperatives. To promote uniformity and to serve as a guide to the cooperatives, a recommended procedure with respect to the crediting of such capital to each patron's account, and the retirement thereof, shall be formulated for each State in such manner as the Administrator may specify.
- d. All amounts received from business transactions other than the furnishing of electric service, expenses properly chargeable against such activities, and patronage refunds, if any, in connection with such activities shall be accounted for separately. Differences between (a) such amounts received and (b) such expenses and refunds shall be carried to a non-operating margin account. The disposition of any such non-operating margins by the cooperative is subject to the loan contract and mortgage.

RESPONSIBILITY AND PROCEDURE:

- 1. The procedure for effectuating this policy shall be as hereinafter set forth. It shall be the responsibility of any member of the REA staff, as occasion permits in his official contacts with cooperative officials and employees, to promote understanding of the capital credits plan as a method of clearly establishing the non-profit character of REA cooperatives. In addition, specific responsibilities are hereby assigned as follows:
 - a. Office of the Solicitor: The Office of the Solicitor shall prepare for adoption by cooperatives recommended articles of incorporation and by-laws providing that:
 - (1) All amounts received from the furnishing of electric service to patrons in excess of all operating expenses and deductions properly chargeable against the furnishing of electric service are received as capital.
 - (2) Amounts so received shall be determined and credited annually on a patronage basis in an appropriate record to the account of each patron.
 - (3) Such capital may be retired:
 - (a) On a revolving basis; or
 - (b) Some other equitable basis.

- b. Management Division: The Management Division shall be responsible for advising distribution-type cooperatives as to the proper procedures for adopting and effectuating a capital credits plan in accordance with established policy. It shall notify the Finance Division when a borrower has adopted a capital credits plan and shall make periodical reports to the Administrator concerning the adoption and application of the plan by distribution cooperatives.
- c. Power Division: The Power Division shall be responsible for advising power-type cooperatives as to the proper procedures for adopting and effectuating a capital credits plan in accordance with established policy. It shall notify the Finance Division when a borrower has adopted a capital credits plan and shall make periodical reports to the Administrator concerning the adoption and application of the plan by power-type cooperatives.
- d. Finance Division: The Finance Division shall be responsible for preparing suitable accounting forms and instructions, and for advising cooperatives as to accounting procedure. It shall notify the Management or Power Division when a borrower has established the necessary accounting records and shall make such reports as the Administrator may request. It shall cooperate with the Management and Power Divisions in helping boards and managers of cooperatives gain a full understanding of the capital credits plan.
- e. Applications and Loans Division: The Applications and Loans Division shall cooperate with the Management Division and the Power Division in helping boards and managers of cooperatives gain a full understanding of the capital credits plan.
- f. Information Services Division: The Information Services Division shall prepare and disseminate information about the capital credits plan and shall assist the line divisions named above in the preparation of special material as requested.
- g. Capital Credits Committee: A Capital Credits Committee, consisting of one representative each of the Information Services Division, the Office of the Solicitor, the Management Division, the Power Division, the Finance Division, and the Applications and Loans Division, shall give continuing consideration to the coordination of divisional activities and to special problems arising in connection with the effectuation of this policy. On matters not covered by existing policy, the committee shall submit recommendations to the Administrator for his

consideration and approval. The members of the committee shall be appointed by the respective division chiefs and, in the case of the Solicitor's Office representative, by the Associate Solicitor in Charge of Rural Electrification. The representative of the Management Division shall serve as chairman.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Capital of REA Cooperatives Furnished through Patronage
Patronage, Capital of REA Cooperatives Furnished through
Equities of Members; Capital of REA Cooperatives Furnished through
Patronage Capital
Capital Credits; Capital of REA Cooperatives Furnished through
Patronage Capital

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 13

SUBJECT: Use of General Funds of REA Borrowers for Educational Purposes

POLICY:

Education of electric cooperative members in proper cooperative functioning and effective use of electric energy is essential to efficient cooperative management and is, therefore, a major responsibility of the Rural Electrification Administration's borrowers. The following considerations should guide a borrower's expenditure of its general funds for educational purposes:

1. A cooperative should, unless restricted by its articles of incorporation or otherwise by law, expend a reasonable and proper amount of money from its operating revenues for the education of its members in cooperative principles and the efficient use of electric energy and other services that are made available by the borrower.
2. To be reasonable and proper such expenditure should not be such as to impair or tend to impair the financial status and the effective and efficient management of the system.
3. Such education should be planned, conducted and supervised by its Board, its manager, or a committee composed of its members serving without compensation for such purpose, and in no event should a cooperative transfer any of its responsibilities to a person or institution the objectives of which are not co-extensive or in accord with those of the cooperative.
4. Nothing contained in this statement of policy should be interpreted as preventing or restraining a cooperative from collaborating with other persons or institutions with respect to its educational program, or from using the services of skilled individuals in planning or conducting such program.

RESPONSIBILITY AND PROCEDURE:

1. Management Division: It is the responsibility of the Management Division to inform distribution-type borrowers of the provisions of this Bulletin and to render advice and assistance on use of funds for educational purposes, including the relation of these matters to the formulation of annual operating budgets.
2. Power Division: It is the responsibility of the Power Division to inform power-type borrowers of the provisions of this Bulletin and to render advice and assistance on use of funds for educational purposes, including the relation of these matters to the formulation of annual operating budgets.
3. Applications and Loans Division: It is the responsibility of the Applications and Loans Division to advise and assist borrowers with their power use program as set forth in Administrative Bulletin BMPU-3, "Assistance to Borrowers in Their Promotion of Beneficial Uses of Electricity."
4. Information Services Division: It is the responsibility of the Cooperative Education Section of the Information Services Division to serve as consultant to the Management Division and the Applications and Loans Division on matters relating to member education.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Use of General Funds of REA Borrowers for Educational Purposes
Educational Purposes, Use of General Funds of REA Borrowers for,
General Funds, REA Borrowers' Use of for Educational Purposes

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 14-R1

SUBJECT: Final Payments by Borrowers to Their Contractors and
Engineers

POLICY:

1. It is the general policy of the Rural Electrification Administration to authorize borrowers to make final payments to contractors and engineers in accordance with the provisions of the construction and engineering contracts when the following conditions exist:
 - a. The construction has been inspected and the inventory approved by an REA engineer:
 - b. An audit of construction expenditures has been completed by an REA field auditor; and
 - c. All final construction documents and a proper requisition for advance of final payment have been approved by REA.
2. Separate authorization to make such final payments prior to inspection of construction and audit of construction expenditures by REA personnel will be given provided that the borrower:
 - a. Has requested such authorization at the time of submission of final construction documents and of a proper requisition for advance of funds and for final payment;
 - b. Agrees to make from its general funds corrections in construction required as a result of subsequent inspection by an REA engineer unless the contractor makes the correction or reimburses the borrower for such corrections in accordance with the terms of the construction contract;
 - c. Agrees to make any corrections in its accounts covering such construction as determined to be necessary through a subsequent audit of construction expenditures by an REA field auditor; and
 - d. Is not included in any of the categories under paragraph 3 below.

3. Borrowers in the following categories shall not qualify for such separate authorization outlined in paragraph 2 above:
 - a. Borrowers that are delinquent in an amount in excess of \$100 for more than 30 days as of the end of the previous quarter in their payments of interest or on account of principal to the Federal Government;
 - b. New borrowers requiring advances for final payments from their first REA loan for the construction of the first section of their systems;
 - c. Borrowers that had a net worth of less than five percent of total assets at the end of the preceding calendar year.
 - d. Other borrowers as determined by REA in individual cases because of unusual circumstances.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for activities concerned with execution of the above policy shall be as follows:
 - a. Engineering and Power Divisions: The Engineering Division with respect to facilities of distribution-type borrowers (except generation) and the Power Division with respect to facilities of power-type borrowers and generation facilities of distribution-type borrowers shall be responsible for:
 - (1) Supervision of the execution of, and informing borrowers, contractors, and engineers regarding the policy relating to final payments by borrowers.
 - (2) Inspection of construction for conformance with contracts and REA standards.
 - (3) Approval of final construction inventory documents from an engineering standpoint.
 - (4) Approval of method for borrowers to use in making final payments to contractors and engineers in accordance with policy.
 - b. Finance Division: The Finance Division shall be responsible for:
 - (1) Review and approval of final construction inventory documents, including a mathematical check of amounts due contractors and engineers.

- (2) Authorizing borrowers to pay final amounts due contractors and engineers.
 - (3) Review and certification of requisitions and advance of funds.
 - (4) Audit of borrowers' records.
- c. Management Division: The Management Division shall be responsible for:
- (1) Informing the Engineering Division or the Power Division as promptly as possible of:
 - (a) Distribution-type borrowers having a net worth of less than five percent at the end of each calendar year.
 - (b) Distribution-type borrowers that are delinquent in an amount in excess of \$100 for more than 30 days as of the end of the previous quarter.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wilkard
Administrator

Index:

Contractors and Engineers: Final Payments by Borrowers
Engineers: Final Payments by Borrowers to Their Contractors
Final Payments by Borrowers to Their Contractors and Engineers
Payments by Borrowers to Their Contractors and Engineers: Final

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 15

SUBJECT: Payment of Fees and Expenses to Directors or Trustees

POLICY:

1. It is a tradition in the cooperative movement that members and their elected representatives (the directors or trustees) serve without compensation in looking after the affairs of their cooperative enterprise. The by-laws of the cooperatives recognize this tradition by specifying that directors and elected officers shall serve without compensation. On the other hand, directors of cooperatives cannot be expected to stand any substantial part of their out-of-pocket expenses in looking after the business of the cooperative.
2. Attendance fees and expenses are not intended to pay a director for the time he devotes to his cooperative's business, but merely to cover in a general way the cash expenses any director is bound to incur in the carrying out of his responsibilities. Boards of directors should recognize, of course, that any payments for attending directors' meetings are a cost to the cooperative, whether they are paid out of loan funds or out of general funds. In recognition of this some cooperative boards of directors have decided against paying any attendance fees or any mileage allowance. Others have fixed their attendance fees at less than the maximum recommended by the Rural Electrification Administration.
3. It is recommended that allowance for mileage for attending an official meeting should not exceed seven (7) cents per mile for use of privately owned automobiles for trips not to exceed 500 miles (\$35.00), and four (4) cents per mile for trips in excess of 500 miles, unless accompanied by another representative of the borrower on official business, in which case seven (7) cents per mile may be allowed for the complete trip. If common carrier transportation is used, the actual cost of such transportation should be allowed.

4. It is recommended that fees for attending official meetings should be on the basis of not more than ten dollars per day. In addition, if attendance at such meetings should require absence from home overnight, the actual cost of subsistence (such as room, meals, necessary tips and taxi fares), not to exceed eight dollars per day, may be allowed.
5. No salaried paid employee of a borrower attending such meetings should be paid a fee for such attendance, but should be reimbursed for the actual cost of subsistence (such as rooms, meals, necessary tips and taxi fares) not to exceed eight dollars per day.
6. Reimbursement of attendance fees, subsistence and travel expenses should only be made on the basis of signed, itemized expense accounts, supported by receipts where possible.
7. Payments from Loan Funds: Cooperatives are permitted by REA to use loan funds during specified periods to reimburse Board members for out-of-pocket expenses within the limits specified in paragraphs 3 and 4 in connection with the following board meetings:
 - a. One meeting in each month during the period between the date of incorporation of the Borrower and a date three months after the date of energization of the primary lines constructed under the first construction contract to which the borrower is a party. Directors shall receive no fees or travel expenses whatsoever in respect of attendance at meetings during this period other than such as are permitted to be paid out of construction loan contract funds.
 - b. Three additional meetings, if the same shall be necessary, during the three months next following the date of the first REA loan to the Borrower.
 - c. Two additional meetings, if the same shall be necessary, during the three months next following the date of the making of any supplementary or additional loans to the Borrower for construction.
 - d. Such additional meetings as the Administrator may authorize.
8. Payments from General Funds: It is recommended that attendance fees and travel expenses paid from the general funds of a cooperative be kept within the limits specified in paragraphs 3 and 4

and that reimbursement be limited to official attendance in connection with the following meetings:

- a. Regular and special meetings of the Board of Directors of the borrower.
 - b. Attendance as official representatives or delegates to official meetings of State, regional or national groups directly concerned with rural electrification.
9. Expenses incurred by directors by reason of attendance at other meetings, such as members' meetings, community and other neighborhood meetings, whether called by the borrower or other community organizations, should not be considered reimbursable out of the general funds of the borrower.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for activities with respect to execution of policy relating to payment of fees and expenses to directors shall be as follows:
 - a. Applications and Loans Division: The Applications and Loans Division shall be responsible for advice and assistance to borrowers in the establishment of equitable fees and expenses to be paid to directors from loan funds.
 - b. Management Division: For distribution-type borrowers, the Management Division shall be responsible for:
 - (1) Advice and assistance to borrowers in the establishment of equitable fees and expenses to be paid directors from the general funds of the borrower.
 - (2) Advice and assistance to borrowers in establishing methods of reimbursement for out-of-pocket expenses of directors to be paid from the general funds of the borrower including justification of these expenses.
 - c. Power Division: The Power Division shall be responsible for the pertinent activities assigned to the Management Division as outlined above, for power-type borrowers.
 - d. Finance Division: The Finance Division shall be responsible for:
 - (1) Verification of accuracy of documents and procedures essential to advance of funds.

- (2) Review and certification of requisitions and advance of funds.
- (3) Establishment of accounting procedures for use of borrowers and the auditing of borrowers' records.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Payment of Fees and Expenses to Directors or Trustees
Fees and Expenses to Directors or Trustees, Payment of
Directors, Payment of Fees and Expenses
Attendance at Board Meetings, Payments for
Expenses, Payment of to Directors for Board Meetings

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 18

SUBJECT: Approval of Engineering Services for Electrification
Borrowers

POLICY:

1. The selection of a borrower's engineer is the responsibility of the borrower. The Rural Electrification Administration, however, in representing the interests of the Government as mortgagee, and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, is responsible for determining that competent engineering services are performed for the borrower in connection with the preparation of loan applications and in connection with the proper and economical design, construction, and technical operation of its system.
2. Accordingly, it is the policy of REA to prescribe as a condition for a loan that a borrower shall designate, subject to the approval of REA, an engineer who shall perform the engineering services involved in the design and construction of the system, or the several sections thereof, and who shall execute all certificates and other instruments pertaining to the engineering details required by REA.
3. The term "Engineer" as used herein shall mean a consulting engineer, a firm of consulting engineers, an engineer hired by such consulting engineer or firm of consulting engineers, or an engineer hired as an employee by a borrower.
4. Except as the Administrator shall otherwise approve, all loan and security documents shall be in such form as to reserve to REA the right to approve the employment of any engineer in active charge of any electric generating plant, electric transmission line, or electric distribution line in a borrower's system.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for activities in respect of matters discussed in this bulletin are as follows:

- a. Applications and Loans Division: The Applications and Loans Division shall be responsible for notifying the Engineering Division, or the Power Division, as the case may be, of any borrowers or prospective borrowers requiring engineering services in connection with a loan application.
- b. Engineering Division: In connection with distribution-type borrowers' distribution and transmission facilities, the Engineering Division shall be responsible for:
 - (1) Review of a selected engineer's qualifications and experience to determine his competence.
 - (2) Approval of the borrower's selection of engineer and compensation to be paid for engineering services.
 - (3) Review and approval of all contractual agreements for engineering services, which provide for compensation whether paid from borrowers' construction or general funds.
 - (4) Review of engineering service performance to determine that such performance is adequate and in the borrower's interest.
 - (5) Review of borrowers' proposals and, with the concurrence of the Management Division, the making of recommendations to the Administrator concerning the payment from general funds of fees for engineering services.
- c. Power Division: In connection with power-type borrowers' generation and transmission facilities and distribution-type borrowers' generation facilities, the Power Division shall be responsible for:
 - (1) Review of a selected engineer's qualifications and experience to determine his competence.
 - (2) Approval of the borrower's selection of engineer and fees to be paid for engineering services.

- (3) Review and approval of all contractual agreements for engineering services, which provide for compensation whether paid from borrower's construction or general funds.
 - (4) Review of engineering service performance to determine that such performance is adequate and in the borrower's interest.
 - (5) Review of borrowers' proposals and the making of recommendations to the Administrator concerning the payment from general funds of fees for engineering services, except that concurrence of Management Division shall be obtained where distribution-type borrowers' generating facilities are involved.
- d. Management Division: The Management Division shall be responsible for reviewing and making recommendations to the Engineering Division, or Power Division where generating facilities are involved, with respect to any proposals from distribution-type borrowers concerning the use of general funds in payment for engineering services performed in connection with their facilities.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Approval of Engineering Services for Electrification Borrowers
Engineering Services for Electrification Borrowers; Approval of
Selection of Borrower's Engineer

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 20

SUBJECT: Maintaining an Informed Cooperative Membership

POLICY:

1. An informed membership and a genuine cooperative organization, as a means of assuring unity of interest between the members and their cooperatives, are fundamental to the well-being of REA cooperatives and are, therefore, of special concern to REA cooperative members and officials as well as to the Rural Electrification Administration, in representing the interests of the Government as mortgagee, and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended.
2. Accordingly, it is the policy of REA:
 - a. To encourage the rural electric cooperatives to provide themselves with regular and effective means of communication with their members. Only in this way can there be a well-informed membership which is the foundation of a strong cooperative, an important consideration in the safeguarding of the Government's interests.
 - b. To assist the cooperatives by providing information on the advantages and purposes of various types of periodicals and other means of communication, leaving with each cooperative the responsibility for determining which media are most effective under conditions applying locally.
 - c. To provide, pursuant to the RE Act, informational and technical material on the status and progress of rural electrification.
 - d. To advise cooperatives against giving official status or unqualified endorsement to any publication which is not fully controlled by them as to editorial policy and subject matter.

- e. To leave to the discretion of the cooperatives the editorial policies of their publications. Under no circumstances shall REA or any members of its staff attempt to influence editorial views.
3. As a basis for further guidance to members of the REA staff on matters concerning cooperative membership periodicals, the following are considerations that should be taken into account:
- a. On the basis of experience of various cooperatives, two types of periodicals have been found effective media for reaching individual members. These are the co-op newsletters and the statewide or regional papers published either by a statewide organization of cooperatives or by a regional group of cooperatives.
 - b. The newsletter has a specific value in that it is a local organ that is intimately and exclusively concerned with the affairs of its own co-op and co-op members. The newsletter is the basic educational medium for the local membership about local co-op operations and attains maximum effectiveness when it concentrates on local facts. As such, the newsletter is of prime importance to rural electric cooperatives.
 - c. Statewide or regional papers have equally important values but of a different nature. Periodicals of this type offer cooperatives an efficient means of dealing jointly with subjects of state or regional interest and with problems of common concern. These papers can best report developments of interest to a group of cooperatives, discuss public developments affecting rural electrification in general, and provide more complete and specific information on power use, electrical equipment and appliances.
 - d. The field of the newsletter is separate and distinct from the field of the state publication, and both types of publications have a place in the well-rounded education program. However, some state papers provide space to the participating co-ops for a column or page of local material prepared by the respective co-op in lieu of a newsletter.
 - e. In the event a co-op or group of co-ops decide to begin a periodical, REA will provide assistance. However, REA or any staff member shall not undertake to edit such a

paper or any department of such a paper. Any material prepared by REA for such a publication shall be of a strictly factual nature.

RESPONSIBILITY AND PROCEDURE:

1. It is a general responsibility of any member of the REA staff, as occasion arises, to encourage REA co-op officials to make regular use of an effective means of written or printed communication between the cooperatives and their members.
2. The Management Division has a special responsibility for advising and assisting distribution-type cooperatives in the effective development of such means of communication as an aid to co-op management.
3. The Power Division has a special responsibility with regard to federated power cooperatives to encourage a suitable means of regular communication between the management of the power co-op and the boards and managers of its member cooperatives as an aid to co-op management.
4. The Engineering Division, in connection with its advisory function regarding technical operation and maintenance problems of cooperatives, has a special responsibility for encouraging such means of communication as an aid to co-op management in developing member awareness of, and enlisting member cooperation on matters affecting that phase of a co-op's operation.
5. The Applications and Loans Division, because of its particular concern with area coverage, with power use education and with making the educational activities of co-op electrification advisers of maximum effectiveness, has a special responsibility for pointing out to co-op boards and managers the potential value of such means of communication and for aiding and assisting co-op power use committees and electrification advisers in their effective development and use.
6. The Information Services Division is responsible for general coordination of REA staff activities to carry out the policy stated in this Bulletin, and in this connection shall provide specialized assistance to other divisions and to REA cooperatives as requested or deemed desirable.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Cooperative Membership; Maintaining an Informed
Maintaining an Informed Cooperative Membership
Newsletters, Periodicals and Statewide Papers
Periodicals, Newsletters and Statewide Papers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 21

SUBJECT: Assistance to Borrowers on Legislative Matters

POLICY:

1. The handling of state and local legislative matters is the responsibility of borrowers as owners of their systems. However, in the public interest, and in representing the Government as mortgagee, and in achieving the purposes of the Rural Electrification Act of 1936, as amended, it is a responsibility of the Rural Electrification Administration to offer to borrowers not only assistance in matters of state and local legislation but also assistance in particular circumstances. The assistance rendered to a specific borrower should be limited to the requirements of a particular situation and to those aspects of such situation beyond the capacity of the borrower to handle because of its applicability to a group of borrowers or to borrowers in general, or of its demand for expert analysis and treatment.

Activities of the REA relative to proposed legislative matters shall, of course, be conducted in accordance with all applicable legislation and Department Regulations. Subject to such limitations and as illustrations, but not inclusive of the entire range of potential assistance to borrowers in general in respect of legislative matters, are the following major activities:

- a. Formulation of constructive or affirmative legislation, including cooperative enabling acts.
- b. Analysis and advice on state and local legislative proposals affecting borrowers.
- c. Analysis of legislative enactments and advice to borrowers concerning the provisions thereof affecting them.

RESPONSIBILITY AND PROCEDURE:

1. All matters pertaining to Federal and State legislation affecting REA programs which come to the attention of any REA employee shall be referred to the Legislative Consultant, Office of the Administrator, including (a) requests from borrowers for advice and assistance on problems which have legislative aspects; (b) problems which require solution through the enactment of legislation; (c) legislative proposals submitted by REA borrowers; and (d) informational material relating to legislation. The drafting of bills to effect proposed legislation, the analysis and construction of pending bills, and the consideration and determination of legal questions involved in rendering assistance on legislative matters are, however, matters within the responsibility of the Solicitor's Office.
2. There is established a Legislative Coordinating Committee, consisting of (a) the Deputy Administrator (or, in his absence, the Assistant Administrator), as Chairman; (b) the Legislative Consultant to the Administrator, who shall also serve as Secretary of the Committee; and (c) the Associate Solicitor in Charge of Rural Electrification, Solicitor's Office (or such person as shall be designated, from time to time, by him). The Legislative Coordinating Committee shall have responsibility, generally, for coordinating requests for assistance and in rendering assistance on legislative matters. Illustrative of the committee's responsibilities in this field are the following:
 - a. To recommend to the Administrator the making of particular recommendations or suggestions or the expression of particular views concerning the need for legislation on pending legislative proposals. No recommendations or suggestions shall be made to borrowers concerning legislative matters and no views shall be expressed to borrowers thereon, through correspondence or otherwise, except as to matters on which (1) policy has already been established; or (2) the recommendations, suggestions, or views, have been approved by the Legislative Coordinating Committee or by the Administrator.
 - b. To establish channels and formulate procedures whereby REA may be kept informed, currently, on legislative proposals made in the various states affecting the interests of REA, the operation and functioning of REA borrowers, and the programs administered by REA.

- c. To determine the means and personnel to be employed in complying with requests for assistance or advice on legislative matters.
3. The Legislative Consultant is responsible for obtaining the views, recommendations and suggestions of the various interested REA divisions with respect to pending legislative proposals and legislative needs.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Assistance to Borrowers on Legislative Matters
Legislative Matters, Assistance to Borrowers on

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 22

SUBJECT: Labor Relations

POLICY:

1. The development and maintenance of sound relationships with their employees, including arrangements for arriving at appropriate agreements, is the responsibility of borrowers as owners of their systems, acting in cooperation with their employees. However, the Rural Electrification Administration, in representing the Government as mortgagee and in furthering the objectives of the Rural Electrification Act of 1936, as amended, is concerned with adherence by its borrowers to sound labor management policies and practices. In its relations with borrowers concerning sound labor management policies and practices, REA will advise its borrowers that it is the policy of the United States, as expressed repeatedly by acts of Congress, that employees have the right to organize and bargain collectively.
2. In order that borrowers may comply with applicable Federal, state and local laws and with the orders and regulations of labor administrative bodies relating to labor standards and practices, REA shall give general information regarding the same to borrowers.
3. Where a borrower requires assistance in the interpretation of labor laws and the applicability thereof to its own situation, REA shall refer the borrower to the appropriate Federal, state or local agency having responsibility for administration thereof. In recognition of the principle of free and independent collective bargaining between private management and its employees, REA representatives shall not participate in the collective bargaining processes. When borrowers and their employees encounter difficulties in reaching agreement by collective bargaining, REA shall advise them to consult the appropriate agency responsible for facilitating successful collective bargaining.

RESPONSIBILITY AND PROCEDURE:

1. The Management Division, or the Power Division in the case of power-type electrification borrowers, shall be responsible for carrying out the Policy stated herein. Where necessary, the Power Division shall consult with the Labor Relations Specialist of the Management Division.
2. The Engineering Division or the Power Division, as the case may be, shall be responsible for informing the borrowers regarding the need for including in notices and instructions to bidders appropriate notification where the borrower either through action of its board of directors or trustees, or through agreements with labor organizations has elected or agreed to wage scales, union conditions, or other labor provisions on contract work.

This bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude P. Wickard

Administrator

Index:

Labor Relations
Relations, Labor

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 24

SUBJECT: Merchandising Activities

POLICY:

The Rural Electrification Administration recommends, generally, that its borrowers not engage in merchandising activities. The risks involved in such activities are numerous; merchandising calls for special aptitudes and skills (a large proportion of retail enterprises fail); it may lead to violation of state laws or of the borrower's charter; the non-profit status of the borrower and its freedom from certain taxes may be adversely affected; the safety of the Government loan may be compromised; the good will of independent dealers may be lost and public relations impaired; the good will of members may deteriorate if restricted freedom of choice of items results; even the autonomy of the borrower as a member-controlled enterprise may be impaired by unwise arrangements with the suppliers or financing agencies. Prudence indicates that merchandising should not be undertaken by borrowers if independent dealers in the community make available an adequate range of electrical supplies at reasonable prices and with dependable servicing. If such a situation does not exist every effort should be made by a borrower to persuade local commercial distributors to establish and maintain proper and adequate distribution of such appliances and equipment.

RESPONSIBILITY AND PROCEDURE:

1. The Management Division is responsible for informing borrowers of REA policy concerning merchandising activities and the reasons why the policy is recommended.
2. The Applications and Loans Division, as a part of its power-use activities, is responsible for:
 - (a) Informing borrowers of REA policy concerning merchandising activities and the reasons why the policy is recommended.
 - (b) Assisting borrowers in making every effort to persuade local commercial distributors to

establish and maintain proper and adequate distribution and installation of farmstead wiring, plumbing and electrical farm and home equipment.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Merchandising Activities
Retailing of Merchandise

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 25

SUBJECT: Borrowers' Insurance and Bonds

POLICY:

1. In order to assist borrowers in the efficient conduct of their business activities relating to proper insurance and bond coverages and to provide the necessary security for loans made by the Government, the activities of the Rural Electrification Administration with respect to insurance matters shall be carried on in accordance with the policy hereinafter set forth:
 - a. borrowers shall carry at all times insurance of such classifications and in such amounts as the Administrator shall determine to be advisable to best protect the interest of the borrowers and the Government;
 - b. insurance and bonds required by the Administrator shall be purchased from companies of the borrowers' choice provided that the companies selected meet such standards as the Administrator may establish;
 - c. borrowers shall submit to REA evidence of such insurance as shall be required by the Administrator and shall make such changes in insurance and bonds as the Administrator shall determine to be advisable;
 - d. although the procurement of insurance and bonds is a primary responsibility of the borrowers as owners and managers of their properties, the Administrator may, in the event that a borrower shall fail to secure the required insurance and bonds, take out such insurance and bonds on behalf of the borrower and the borrower shall pay the cost thereof;
 - e. insurance and bonds required by the Administrator shall contain an endorsement requiring that (1) notice of any change or cancellation and (2) a copy of each premium audit report, shall be furnished to REA;

- f. REA may, at the request of the borrower, negotiate directly with insurers to assist borrowers in the settlement of claims;
- g. REA shall assist borrowers in insurance matters and provide expert assistance to them in particular instances. Such assistance to borrowers shall consist of:
 - (1) Advice and assistance in securing required insurance and bonds;
 - (2) Assistance to borrowers in determining insurance and bonding requirements including risks not required to be covered by the Administrator;
 - (3) Assistance to borrowers in their relations with insurance and bonding companies and rating bureaus in connection with the development of standard forms and provisions reflecting the needs of borrowers; questions of classifications and rates; development of simplified procedures; and settlement of claims.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude P. Weekard

Administrator

Index:

Bonds and Insurance: Borrowers'
Borrowers' Insurance and Bonds
Insurance and Bonds: Borrowers'

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 26

SUBJECT: Insurance and Performance Bond Requirements
of Borrowers' Contractors

POLICY:

1. It is the policy of the Rural Electrification Administration to require Contractors entering into construction contracts with borrowers in amounts in excess of \$10,000 to secure a performance bond on a form approved by the Administrator in a penal sum not less than the contract price and to furnish the Administration with an executed copy of such bond. For contracts amounting to \$10,000 or less, the Engineering Division or the Power Division, as the case may be, shall determine whether a performance bond is required.
2. It is the policy of REA to require borrowers' contractors to maintain throughout the construction period insurance of the following types and amounts:
 - a. Workmen's compensation insurance covering all employees in statutory limits who perform any of the obligations assumed by the contractor under the contract.
 - b. Public liability and property damage liability insurance covering all operations under the contract: limits for bodily injury or death not less than \$50,000 for one person and \$100,000 for each accident; for property damage not less than \$10,000 for each accident and \$25,000 aggregate for accidents during the policy period.
 - c. Automobile liability insurance on all self-propelled vehicles used in connection with the contract whether owned, non-owned or hired; public liability limits of not less than \$50,000 for one person and \$100,000 for each accident; property damage limit of \$5,000 for each accident.

REA requires that a contractor submit to it evidence of compliance with the provisions of this paragraph only if the Administrator shall specifically so direct or if the amount of the contract is less than \$10,000 and the contract is not covered by a performance bond. Such evidence of compliance shall be in the form of a certificate of insurance executed by an authorized insurance company representative.

3. It shall be the responsibility of the borrower to determine that the contractor has insurance which complies with the requirements of the contract.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Weckard

Administrator

Index:

Contractors: Insurance and Performance Bond Requirements of
Borrowers'
Insurance and Performance Bond Requirements of Borrowers'
Contractors
Performance Bond Requirements of Borrowers' Contractors:
Insurance and
Requirements of Borrowers' Contractors: Insurance and Per-
formance Bond

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 27

SUBJECT: Minimum Requirements with Respect to Insurance and
Fidelity Coverage for Borrowers' Operations

POLICY:

1. It is the policy of the Rural Electrification Administration to require borrowers operating electric distribution, transmission and generation facilities, or refrigeration food storage lockers to maintain insurance and fidelity coverage of the types and in the amounts as follows:

a. Fidelity coverage for all officers, employees and collection agents in the following minimum amounts based on the amount of the annual gross revenue (or the estimated revenue as the case may be) of the borrower:

Annual Gross Revenue			Amount of Coverage
Less than			
	From	\$100,000 to	\$100,000
		150,000	\$10,000
		150,001	15,000
		200,000	20,000
		200,001	25,000
		250,000	25,000
		250,001	30,000
		300,000	30,000
		300,001	40,000
		400,000	40,000
Over			50,000

The above schedule of minimum coverage applies to the borrower's normal operations and inventories in cases in which the borrower follows the recommendations of REA in the handling or accounting for receipts, disbursements, materials or delinquent accounts receivable.

If the Administrator shall determine that the security of the Government loan is jeopardized by failure of a borrower to follow the recommendations of REA in the handling or accounting for receipts, disbursements, materials or delinquent accounts receivable, the minimum amount of coverage in the above table shall be increased by fifty percent.

- b. Workmen's compensation insurance covering all borrowers' employees for statutory limits; occupational disease liability, when not provided under the State Compensation Law, in limits of not less than \$10,000 for any one employee and \$25,000 aggregate for the policy period; in Oklahoma, limits for personal injury or death shall be not less than \$50,000 for each person; and "extra legal" medical aid coverage in States where full medical coverage is not statutory.
- c. Public liability and property damage liability insurance covering all operations of borrowers; limits for bodily injury or death, not less than \$50,000 for one person and \$100,000 for each accident; limits for property damage not less than \$25,000 for each accident and \$50,000 total for the policy period, except that for operating refrigeration food storage lockers the limit shall be \$2,000 for each accident.
- d. Liability insurance on all motor vehicles and trailers used in the conduct of borrowers' business, whether owned, non-owned or hired; public liability limits of not less than \$50,000 for one person and \$100,000 for each accident; property damage limits of \$5,000 for each accident.
- e. Fire, theft and windstorm insurance in the amount of the actual cash value covering loss of or damage to borrowers' owned motor vehicles.
- f. Fire and either windstorm or extended coverage insurance on property of borrowers, including all types of generating plants, refrigerating plants, buildings equipment, supplies, and materials (exclusive of distribution and transmission lines, sub-stations, and materials stored in the open and not within 100 feet of any building but including fire insurance on poles wherever stored); insured values to be not less than 80 percent of the loan advanced for constructing or acquiring the property insured.
- g. Boiler insurance covering losses resulting from the exploding of specified boilers or pressure vessels; limit not less than \$150,000 for each accident.

2. Insurance policies and bonds issued to borrowers shall include endorsement providing for the carrier's furnishing to REA copies of all endorsements, notices of cancelation, and premium audits issued or made after the effective date of the policy or bond.
3. It is the policy of REA to recommend to borrowers that:
 - a. They maintain all casualty insurance in one company, wherever possible, for concurrent policy periods;
 - b. Policies of insurance be effective from the first day of any calendar month;
 - c. Fidelity coverage be maintained continuously with one company.

This Bulletin supersedes all other existing instructions in conflict with its provisions.

Claude R. Wickard

Administrator

Index:

Distribution Systems: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations
Fidelity Coverage for Borrowers' Operations: Minimum Requirements with Respect to Insurance and
Generation and Transmission Systems: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations
Insurance and Fidelity Coverage for Borrowers' Operations: Minimum Requirements with Respect to
Locker Plants: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations
Refrigeration Locker Plants: Minimum Requirements with Respect to Insurance and Fidelity Coverage for Borrowers' Operations

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 28

SUBJECT: Minimum Requirements with Respect to Insurance of
Borrowers' Engineers

POLICY:

1. It is the policy of Rural Electrification Administration to require engineers performing work under Engineering Service Contracts with borrowers to maintain throughout the term of the contract insurance of the following types:

Workmen's compensation insurance in statutory limits covering all employees who perform any of the obligations assumed by the engineer under the contract. If any employee is not subject to the workmen's compensation laws of the State, such insurance shall extend to such employee voluntary coverage to the same extent as though such employee were subject to such laws.

RESPONSIBILITY AND PROCEDURE:

1. It shall be the responsibility of the borrower to determine that the engineer has insurance which complies with the requirements of the contract. The engineer is required to submit to REA evidence of compliance with the above policy only if the Administrator shall specifically so direct. Such evidence of compliance shall be in the form of a certificate of insurance executed by an authorized insurance company representative.
2. Engineering Division: The Engineering Division is responsible for advising distribution-type borrowers of their responsibility under this policy and for determining when engineers for such borrowers (except for generating plants) shall be required to submit to REA evidence of compliance with this policy.
3. Power Division: The Power Division is responsible for advising power-type borrowers of their responsibility under this policy

and for determining when engineers for such borrowers (including those for generating plants of distribution-type borrowers) shall be required to submit to REA evidence of compliance with this policy.

4. Management Division: The Insurance Section of the Management Division is responsible for establishing plans and procedures for determining compliance by borrowers' engineers with REA insurance requirements and for serving as advisor to the Engineering and Power Divisions on matters concerning such insurance.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Engineers: Minimum Requirements with Respect to Insurance of Borrowers'
Insurance of Borrowers' Engineers: Minimum Requirements with Respect to
Minimum Requirements with Respect to Insurance of Borrowers' Engineers
Borrowers' Engineers: Minimum Requirements with Respect to Insurance of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 30

SUBJECT: Submission by Borrowers of Financial Statements
to Private Firms for Credit Rating Purposes

POLICY:

1. It is the policy of the Rural Electrification Administration to leave to the discretion of the borrower the decision as to whether or not the borrower shall submit a statement of its financial condition to private firms for the purpose of establishing credit ratings.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Weekard

Administrator

Index:

Credit Rating Purposes: Submission by Borrowers of Financial
Statements to Private Firms for
Financial Statements to Private Firms for Credit Rating
Purposes: Submission by Borrowers of
Submission by Borrowers of Financial Statements to Private
Firms for Credit Rating Purposes

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 31

SUBJECT: Assistance to Borrowers on Tax Matters

POLICY:

1. The handling of tax matters is a responsibility of borrowers as owners and managers of their systems, and it is assumed that as they acquire experience they will become progressively more efficient in such activities. However, in representing the Government as mortgagee, and in furthering the objectives of the Rural Electrification Act of 1936, as amended, it is a responsibility of the Rural Electrification Administration to offer to borrowers assistance in these matters. The assistance rendered to a specific borrower should be limited to the requirements of the particular situation and to those aspects of the problem beyond the capacity of the borrower to handle because of its applicability to a group of borrowers or to borrowers in general or of its demand for expert analysis and treatment. Subject to such limitations and as illustrations, but not inclusive of the entire range of potential guidance and assistance to borrowers in general in respect of tax matters, are the following major activities:
 - a. Informing borrowers of the scope of their tax liability by preparation and distribution of tax digests, bulletins, and other helpful data having special applicability to borrowers;
 - b. Advice and assistance in the preparation of tax reports and returns;
 - c. Furnishing of borrowers with information and suggestions in respect of their state legislative problems relating to taxation.

RESPONSIBILITY AND PROCEDURE:

1. The Management Division is responsible for assisting distribution-type borrowers with reference to tax matters set forth in this Bulletin.

2. The Power Division is responsible for assisting power-type borrowers with reference to tax matters set forth in this Bulletin.
3. The Finance Division is responsible for assisting borrowers with reference to their accounting matters.
4. The Legislative Consultant is responsible for informing borrowers generally, upon receipt of requests from borrowers, as to the possibility of legislative solution of their tax problems on a statewide basis and as to the experience of borrowers in other states with respect to state tax legislation.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Assistance to Borrowers on Tax Matters
Tax Matters; Assistance to Borrowers
Borrowers' Tax Matters; Assistance on

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 32

SUBJECT: Payment of Unemployment Compensation Taxes by Cooperatives
Organized Under Acts Containing Provisions Exempting Them
from Excise Taxes

POLICY:

1. In many states cooperatives are organized under an act which contains a provision exempting them from all excise taxes. In several of these states the courts or state officials have held that since unemployment compensation contributions are excise taxes the cooperatives are not liable for state unemployment taxes. Similar rulings are likely to be made in the other states having acts containing such a provision.
2. The value of such an exemption is questionable. Although payment of the tax involves some expense and inconvenience occasioned by filing returns, considerations of social policy and employer-employee relationships may make it worth while for an employer to pay the tax. State laws permit an employer not otherwise liable for the tax to elect to comply with the law and make voluntary contributions. A cooperative subject to the Federal tax would certainly want to pay the state tax because the Federal Act allows a credit for amounts paid to the state and because unemployment benefits are payable only out of state funds. In such cases voluntary compliance should be recommended.
3. Inasmuch as the cooperatives organized under an act exempting them from excise taxes may legally be entitled to exemption from the unemployment compensation tax they should be advised of their rights in the matter but at the same time their attention should be called not only to the possibility but also to the advantages of voluntary compliance. The final decision should be left to the cooperatives in each case and a definite recommendation to comply should be made only in cases of cooperatives subject to the Federal tax.

RESPONSIBILITY AND PROCEDURE:

1. The Management Division is Responsible for activities of distribution-type borrowers in connection with the policy set forth in this Bulletin.
2. The Power Division is responsible for activities of power-type borrowers in connection with the policy set forth in this Bulletin.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Payment of Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise Taxes Taxes; Payment of Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise Unemployment Compensation Taxes by Cooperatives Organized Under Acts Containing Provisions Exempting Them from Excise Taxes: Payment of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 33

SUBJECT: Rates and Purchase or Sale of Electric Energy
at Wholesale

POLICY:

1. It is the responsibility of the Administrator, under the Rural Electrification Act of 1936, as amended, to determine that the security for each loan is reasonably adequate and that the loan will be repaid within the time agreed. To assure the proper discharge of such responsibility, the loan and security documents in respect of each loan shall contain provisions which will protect, adequately, the Government's security and repayment ability, i.e., the borrower's system and its revenues, insofar as such factors may be affected by the purchase or sale of electric energy by the borrower. More specifically, the loan and security documents with respect to each loan shall, except to the extent that any such requirement is, in any particular case: (1) prevented or restricted by law; or (2) waived by the Administrator in the light of the factual situation existing in such particular case, contain appropriate provisions requiring the borrower to;
 - a. Submit, when the Administrator shall so require, a contract or contracts for a supply of electric energy for the operation of its system;
 - b. Agree not to enter into any contract for the purchase of electric energy with which to operate its system or the sale of electric energy for resale unless the effectiveness of each such contract shall be conditioned upon the approval of the Administrator.
2. It is recognized that rates charged by borrowers for electric energy for resale should be designed to promote optimum beneficial use but must be such as to produce sufficient

revenue to meet all financial requirements calculated on the basis of estimated receipts and expenditures. Over a period of years, operating systems will develop records of actual experience that will serve as guides in indicating whether adjustments should be made in their rate structures and schedules. Therefore, each system's operating experience should be reviewed periodically for the purpose of determining the advisability of making a rate revision study.

3. The policy of the Rural Electrification Administration in respect of such wholesale rates can, of course, be stated only in general terms. Of necessity, rate structures and schedules must be tailored to fit the individual needs of each system. In respect of advice to borrowers concerning such wholesale rates and the designing of individual rate structures and schedules the following elements of policy should be given appropriate consideration:
 - a. Simplicity of the rate structure and schedule.
 - b. Encouragement for the adoption of retail rate schedules that will promote the most beneficial use of electricity in homes, farms and rural industries.
 - c. The requirements of area coverage.
 - d. Subject to applicable laws and rules and orders of regulatory bodies, sufficient revenue to meet all cash requirements.
 - e. In rate revision studies all accumulated cash and other current assets readily convertible to cash should be considered along with anticipated revenues as a source of funds available to meet cash requirements.
4. REA will not approve wholesale power contracts between its borrowers and suppliers other than those with other REA borrowers and public agencies which include contract periods of more than five years.
5. Experiments reflecting new or different concepts of rate structures and schedules may be made where circumstances favor them. Such experiments should be planned and controlled and made only with the approval of the Administrator in each instance.

RESPONSIBILITY AND PROCEDURE:

Responsibility for the execution of REA policy in respect of purchase of electric energy and for the sale of electric energy at wholesale is as follows:

1. Power Division: The Power Division is responsible for:
 - a. assistance to borrowers in respect of paragraphs 1.a. and 1.b. of this Bulletin and for making recommendations to the Administrator regarding the approval of such contracts entered into by borrowers.
 - b. the design of all wholesale rate schedules for the sale of electric energy by:
 - (1) Power-type borrowers.
 - (2) Distribution-type borrowers operating generating plants where sale of electric energy involves interchange or stand-by.
 - (3) Distribution-type borrowers selling to other REA borrowers.
 - c. recommendations concerning the revision of existing contracts and to assist and advise such REA borrowers as to the adoption and application of the rate schedules for electric service.
 - d. consultation with the Management Division in reference to carrying out the above responsibilities in order to give appropriate consideration to the effect that its actions and recommendations may have on the retail rates and revenues of all borrowers involved.

2. Responsibility of Management Division:

It is the responsibility of the Management Division to design all wholesale rate schedules other than 1.b above for the sale of electric energy for resale by distribution-type borrowers.

3. Wholesale Rate Review Committee:


There is established a Wholesale Rate Review Committee, consisting of the Chiefs of the Applications and Loans, Management and Power Divisions, the latter serving as chairman. To the Wholesale Rate Review Committee shall be submitted by

the Power Division in each particular case a Wholesale Rate Study concerning the revision of wholesale rates for the sale of electric energy by one REA borrower to other REA borrowers. These rate studies may be prepared as a result of:

- (a) Analyses and evaluations of the financial status of appropriate REA borrowers, made by the Management or Power Divisions.
- (b) Feasibility studies by the Applications and Loans Division for borrowers purchasing or selling electric energy; or
- (c) Requests of REA borrowers for approval of revision of current schedules or for a Wholesale Rate Study.

In the preparation of the Wholesale Rate Study, the Power Division, as appropriate, shall ascertain the views of the Board of Directors of the borrower in connection with revision of wholesale rates and review such data and studies as the borrower may have prepared for this purpose. The Wholesale Rate Study shall incorporate this information. After a review of each study, the Wholesale Rate Review Committee shall submit its recommendations, accompanied by the Wholesale Rate Study prepared by the Power Division, to the Administrator for final action.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.



Administrator

Index:

Electric Energy; Purchase and Sale of at Wholesale
Purchase or Sale of Electric Energy at Wholesale
Rates and Purchase or Sale of Electric Energy at
Wholesale
Wholesale; Rates and Purchase or Sale of Electric
Energy at

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 34

SUBJECT: Recommended Charges to Consumers for Special Line Extensions

POLICY:

1. It is the policy of the Rural Electrification Administration to recommend to its borrowers that they shall extend their lines to farms, residences and public buildings on an area-coverage basis and serve prospective consumers under uniform rates and minimum charges recommended in the borrower's rate schedules. The special line extension charges referred to in this Bulletin apply only to commercial and industrial consumers and to special line extensions to serve farms, residences and public buildings over 5,000 feet from the borrower's existing lines (or lines for which loans have been made) and for which consumers are not willing to wait until the borrower is able to proceed with construction on an area-coverage basis. For the foregoing types of line extensions, the following basis for charges to consumers shall be recommended to borrowers.

a. Single-phase line extensions to farms, residences and public buildings on borrower's system having an average density of 1-1/2 or more consumers per mile:

- (1) If the length of the extension required to serve the prospective consumer exceeds 5,000 feet and if the borrower deems it necessary to raise the monthly minimum charge, it is recommended that the minimum monthly charge in the rate schedule applicable to the prospective consumer may be increased by not more than the following amount:

To the minimum monthly charge in the rate schedule applicable to the prospective consumer shall be added, one percent of the average cost per foot times the footage of the line extension in excess of 5,000 feet.

The calculation of average cost per foot should be made as follows:

Determine semi-annually the current cost per foot for constructing single-phase line extensions based on work order costs, not including the cost of service transformers, meters and service entrances. It is recommended that the calculation be made every six months on January first and July first. The cost so determined shall then be used for all such extensions during the next six months.

- (2) Payment of the increased minimum monthly charge shall entitle the consumer to use the full number of kilowatt hours corresponding thereto under the established rate schedule.
 - (3) Payment of the increased minimum shall continue for a period of five years unless an additional consumer is connected to the line extension on which the minimum charge is based. Whenever an additional consumer is so connected, the minimum charge of the first consumer shall be recomputed as if the entire extension were new. In no case, however, shall the minimum charge of the first consumer be increased.
- b. Single-phase line extensions to farms, residences and public buildings on borrower's systems having an average density of less than 1-1/2 consumers per mile:
- (1) These shall be treated as in paragraph "a" above for those extensions which do not exceed 7,500 feet in length.
 - (2) All single-phase extensions which exceed 7,500 feet in length should be treated individually. The borrower should submit all the facts along with the estimate work order and after examining the facts REA will suggest a rate to the borrower for the particular extension.
- c. Three-phase line extensions to all consumers requiring less than 25 KVA of transformer capacity (except for irrigation pumps) and single-phase line extensions to commercial and industrial consumers requiring less than 25 KVA of transformer capacity:
- (1) If the length of the extension required to serve prospective consumer does not exceed 5,000 feet and no line conversion or other change in existing facilities is required, service shall be furnished under the established rate schedule without increasing the minimum charge specified therein.

(2) If the length of the line extension required to serve the prospective consumer exceeds 5,000 feet of line per consumer, or if changes in existing facilities are necessary and are not a part of the future system design, the minimum charge per month shall be 1.5 percent of the estimated total new investment required to extend service; provided, however, that in no event shall the minimum monthly charge be less than that specified in the applicable rate schedule. If additional consumers are later connected the minimum charge shall be recomputed as provided in "a(3)" above.

- d. Line extensions to consumers requiring 25 KVA or more of transformer capacity:

Rates and minimum charges to consumers requiring 25 KVA or more of transformer capacity shall be in accordance with the recommendations of REA based on data in the large power applications submitted by the borrower and so designed that the borrower shall assume no more than a reasonable business risk. Normally, the investment to extend service to such consumers, less salvage value, shall be amortized over a period of five to ten years.

- e. Line extensions to irrigation pumps:

Borrowers located in areas where pump irrigation is feasible on a sound economic basis should encourage the installation of pumps by a liberal line extension terms. Area coverage should be pursued where possible. Where area coverage is not applied, line extension terms should be determined by the individual study in the case of each borrower so designed as to result in mutual long range benefits to the borrower and the irrigators.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for the execution of REA policy in connection with recommendations of line extension charges to be adopted by borrowers are as follows:

- a. Applications and Loans Division: In accordance with the established area-coverage procedure it is the responsibility of the Applications and Loans Division to promote the adoption of area coverage by borrowers to the fullest extent consistent with maintaining the borrower in a sound financial condition.
- b. Management Division: It is the responsibility of the Management Division to give advice and assistance to borrowers on the adoption of rules, regulations, and charges covering line extensions to consumers not provided for under area-coverage.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Extensions: Recommended Charges to Consumers for Special Line
Extensions

Rates: Recommended Charges to Consumers for Special Line Extensions

Recommended Charges to Consumers for Special Line Extensions

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 35

SUBJECT: Retail Rates

POLICY:

1. The adoption of retail rates under which electric service is furnished to consumers is primarily the responsibility of the Board of Directors of the Borrower. However, the Rural Electrification Administration, in representing the Government as mortgagee, is responsible for assuring itself that rates charged to consumers are consistent with the purposes of the Rural Electrification Act of 1936, as amended, and will provide sufficient cash receipts for all operating purposes, including repayment of the Government loan. Accordingly, the mortgage shall contain a provision requiring borrowers to adopt rates adequate for those purposes, and in connection with the first loan to a new borrower one of the requirements of REA shall be that the borrower has adopted rates which are acceptable to REA before the first section of the borrower's system is energized. Furthermore, the model form of by-laws recommended for adoption by REA cooperatives shall provide that ninety days' notice be given to REA before any change is made in retail rates.
2. It shall be the policy of REA to furnish advice and assistance to borrowers in respect of retail rates including the design of a suitable rate structure and rate schedules. Over a period of years, operating systems will develop records of actual experience that will serve as guides indicating whether adjustments should be made in their rates. Therefore, each system's operating experience shall be analyzed periodically for the purpose of determining the advisability of a rate revision.
3. Of necessity, retail rate structures and schedules must be tailored to fit the individual needs of each borrower. There are wide variations from one borrower to another in the factors entering into

rate design, such as system investment per consumer, cost of power purchased or generated, economic status of the area served, and prevailing types of farming. Therefore, the policy of REA with respect to retail rates is expressed in very general terms to facilitate the adaptation of rate schedules to the needs of individual borrowers. In advising borrowers concerning their retail rates and designing rate structures and schedules, the following elements of policy shall be given appropriate consideration:

- a. Encouragement in the best use of electricity in homes for the purpose of raising the level of living of rural people.
 - b. Encouragement of the most beneficial use of electricity on farms for productive purposes.
 - c. Encouragement of rural industries and other rural enterprises.
 - d. Requirements of area coverage.
 - e. Competitive elements with respect to electric service, such as the cost to the consumer of alternative types of service.
 - f. Comparative rate levels of adjacent electric systems.
 - g. Simplicity of the rate schedules in order that they may be readily understood by the consumer.
4. In the design of retail rates the following requirements shall be met:
- a. Rates for the same class of service shall normally be uniform throughout the entire area served by the borrower.
 - b. Receipts from the sale of power shall reflect an equitable basis for the distribution of capital credits, both as between large and small users in the same rate classification and as between consumers in different rate classifications. To this end, the rates shall reflect as nearly as possible an equitable allocation of the cost of service among all consumers.

- c. Rates shall produce sufficient cash receipts to meet all cash requirements. Net annual cash operating margin shall not be more than that which is necessary to guard against possible future increases in rates.

The borrower's accumulated reserves shall be considered along with anticipated future receipts as a source of funds available to meet cash requirements.

- d. Promotional rate blocks or separate promotional rates established for the purpose of encouraging the use of electric service shall in no event be priced below the cost of power for such service at the borrower's wholesale meter or generating station plus the cost of losses incurred in delivering such power to the consumer.
- e. Receipts from the sale of power in the final blocks of rate schedules (involving, as they do, the use of unlimited amounts of power) shall be at least sufficient to cover the cost of power delivered to the consumer, the costs incidental to increasing system capacity with increasing usage and a reasonable share of general overhead expense.

Experiments reflecting new or different concepts of rate structures and schedules may be made where circumstances favor them, but only with the approval of the Administrator in each instance.

RESPONSIBILITY AND PROCEDURE:

- 1. Responsibilities for the execution of REA policy in connection with the initial establishment of the retail rates of REA borrowers for electric service to their consumers are as follows:
 - a. Management Division: It is the responsibility of the Management Division to design all retail rate schedules and to assist and advise REA borrowers as to the adoption of all types of rate schedules for electric service and the application of such schedules to various classes of consumers. Determination of the minimum monthly charge and the number of kilowatt-hours allowed under the minimum charge for farm and non-farm residential consumers shall be made in collaboration with the Applications and Loans Division, and the Applications and Loans Division shall be consulted on all questions involving the promotion of beneficial use of service. The rates recommended for a new borrower shall be submitted in a Rate Report for Loan to the Applications and Loans Division.

b. Applications and Loans Division: It is the responsibility of the Applications and Loans Division to engage in the following activities relating to retail rates:

- (1) Prior to the sign-up of prospective consumers by a new borrower, to make preliminary determination of the minimum monthly charge for farm and residential service. Such preliminary determinations shall be subject to review by the Management Division when making its rate report for loans to the Applications and Loans Division.
- (2) During the period of negotiations for a proposed acquisition of existing electric facilities, to discuss with REA borrowers and others, wherever necessary, possible changes in the retail rates in effect on the properties to be acquired. In the event that consumers on the properties to be acquired demand or expect a rate lower than the existing rates of a borrower, such revisions shall be cleared with the Management Division before presenting them to borrowers and other interested parties.
- (3) To make recommendations to the Management Division for the need of promotional rates and submit data in relation thereto.

2. Responsibilities for the execution of REA policy in connection with subsequent revisions of the retail rates of REA borrowers are as follows:

a. Management Division: The Management Division shall have the following responsibilities:

- (1) The Chief of the Management Division shall arrange an intra-divisional procedure whereby, in the course of current analyses and evaluations of the financial status of REA borrowers, special attention shall be given to detection of the possible need of a revision of a borrower's retail rates. Any indicated possible need of revision shall be referred by the Chief of the Management Division to the Retail Rate Specialist for intensive study.

All such rate revision studies prepared by the Retail Rate Specialist shall be referred to

Regional Retail Rate Committees established in accordance with Section 2 c below, for review and approval.

- (2) Requests by borrowers for revision of their rates shall be referred to the Management Division for initiation of rate revision studies.
 - (3) The Management Division shall, from time to time as the need arises, recommend to borrowers the revision of individual rate schedules other than the basic rate schedule for farm and non-farm residential service, provided that the written approval of all members of the Regional Retail Rate Committee shall be obtained whenever such revision involves a substantial change in cash receipts.
- b. Applications and Loans Division: It is the responsibility of the Applications and Loans Division to request the Management Division to initiate a rate revision study when the need for a revision is indicated in the course of studies of feasibility of new loans to borrowers or when the need for rates of a more promotional character is indicated. In the case of all rate revision studies, the necessary data and estimates on future system investment, miles of line, number of consumers and kilowatt hour usage of consumers shall be furnished to the Management Division.
- c. Regional Retail Rate Committees: There shall be established in the REA, a Regional Retail Rate Committee for each of the ten REA regions. Such committees shall be composed of the Retail Rate Specialist and the Regional Heads of the Applications and Loans and Management Divisions. The Retail Rate Specialist shall be chairman of each committee. Each committee shall be responsible in their respective regions for:
- (1) Reviewing and recommending to the Retail Rate Review Committee general rate revisions based on studies made for the committee by the Retail Rate Specialist for recommendation to the borrower.

- (2) Final review and approval of rate revision recommendations limited in purpose and amount to compensation for an increase in the borrower's power costs.
 - (3) Establishing procedures and arrangements necessary for the proper conduct of its activities. In the event of disagreement on a Regional Retail Rate Committee regarding rate recommendations the matter shall be submitted to the Retail Rate Review Committee.
- d. Retail Rate Review Committee: There shall be established a Retail Rate Review Committee composed of the Chiefs of the Applications and Loans and Management Divisions. This committee shall review the recommendations of the Regional Retail Rate Committees and, if approved, forward them to the Administrator with a recommendation that he approve them, or if not approved, return them to the Regional Retail Rate Committee. In the event of disagreement on the Review Committee the recommendations of the Regional Committee shall be forwarded with appropriate comments to the Administrator for consideration.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude B. Wickard

Administrator

Index:

Retail Rates
Rates; Retail

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 36

SUBJECT: Internal Audit Program

POLICY:

1. It is the objective of the Rural Electrification Administration to manage its affairs in the most effective, efficient and economical manner possible in attaining the purposes of the REA program. In accomplishing this objective, it is essential that there be a systematic and continuous review of various aspects of agency operations to ascertain adherence to desired standards of performance. To meet this need in the REA, an internal audit program is hereby established to be administered by the Internal Auditor, serving under the general direction of the Executive Officer, Office of the Administrator.
2. The overall objective of the internal audit program will be to appraise independently the activities within the organization by reviewing financial transactions, fiscal procedures, books, records and accounts, and other related operations of REA. The Internal Auditor's work will deal primarily with accounting and financial matters but may properly deal with related matters of an operating nature.
3. The execution of the internal auditing program will include such activities of the Internal Auditor as:
 - a. Ascertaining the degree of reliability of accounting and statistical data developed within the organization and the extent of compliance with established policies, plans, and procedures.
 - b. Ascertaining the extent to which assets of the organization are properly accounted for and safeguarded from losses of all kinds.
 - c. Reviewing and appraising the internal records and procedures of the organization in terms of their adequacy and effectiveness.
 - d. Preparing reports pointing out existing deficiencies to provide a basis for appropriate corrective action and making recommendations of changes for the improvement of various phases of operations.

4. The establishment of the internal audit function will not relieve the various organizational units of REA of any of their responsibilities or alter in any manner their assigned duties.
5. The Internal Auditor and his staff shall have full access to all records, as he may require, in making examinations or investigations in the pursuit of objectives outlined above. Likewise, the Internal Auditor shall have the authority to request accounting, statistical, and procedural data he may require in executing the internal audit program.

RESPONSIBILITY AND PROCEDURE:

1. Internal Auditor: The Internal Auditor, under the general direction of the Executive Officer, Office of the Administrator, shall be responsible for:
 - a. Planning, developing, and executing an internal audit program for the REA.
 - b. Preparing written reports to the Administrator of findings developed in the execution of the internal audit program, including recommendations as may warrant his attention for the correction of existing deficiencies and changes for improvement of various phases of the operations of the agency. Unless otherwise directed by the Administrator, recommendations shall be discussed first with supervisory personnel responsible for the activities under audit.
2. All Divisions: All divisions shall be responsible for:
 - a. Making their records available to the internal audit staff for examination.
 - b. Furnishing accounting, statistical, and procedural data, as may be required.
 - c. Extending full cooperation in the conduct of the internal audit program.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Audit Program: Internal
Internal Audit Program

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 37

SUBJECT: Assistance to Borrowers in Their Promotion of Beneficial
Uses of Electricity and Related Member Education Activities

POLICY:

1. In keeping with the objectives of the Rural Electrification Act of 1936, as amended, it is a responsibility of the Rural Electrification Administration to provide borrowers with assistance and information that will enable them to give sound advice to their consumers with regard to the beneficial and profitable use of electric energy. Such advisory service is, first of all, in the interest of the consumers. In addition, it will better enable the borrowers to realize sufficient revenue to meet their debt service requirements. In the case of cooperative borrowers, the rendering of such advice by a cooperative to its members should go hand in hand with activities designed to acquaint members with cooperative principles and functioning and with their responsibilities and privileges as joint owners of the cooperative enterprise. REA activities for assisting borrowers in their programs to enlist active member participation in cooperative affairs, as set forth in Administrative Bulletin No. 121, are a part of power use activities since both are essential elements to be integrated into any co-op member education program.
2. Accordingly, it is the policy of REA to assist borrowers in the formulation of programs and plans which will bring about a more efficient and beneficial application of electricity to activities on farms, in rural communities, and in rural industries. Such advice and assistance is on borrower, State, regional, and national levels and not on the level of contacts with individual consumers. This service consists primarily of the maintenance of close working relations

with Federal, State and local organizations that carry on related programs; encouragement of the development, distribution and servicing of electrical and plumbing equipment on the part of manufacturers, distributors and dealers; and technical assistance to borrowers in their promotion of rural enterprises using electricity and their education of consumers concerning wiring and the installation, use and care of electric equipment and plumbing facilities.

RESPONSIBILITY AND PROCEDURE:

Responsibilities for execution of the above policy are as follows:

1. The Management Division shall be responsible for -
 - a. Encouraging borrowers as a phase of general management to undertake educational activities to bring about the efficient and beneficial use of electricity, and to recommend that they use the advice and assistance made available by the Applications and Loans Division.
 - b. Advising borrowers and the Applications and Loans Division concerning the bearing of such activities on the borrowers' financial status, and assisting borrowers in making the cost of such activities an element in their budgetary plans.
 - c. Advising Applications and Loans Division of borrowers with low kwh consumption, poor demand factor (or inadequate diversity of usage) when indicated by Management studies.
2. The Applications and Loans Division shall be responsible for -
 - a. Studying as specialists the status of borrowers with respect to kwh consumption, the demand factor and diversity of usage, as provided by Management Division studies, and reaching agreement with the Management Division concerning the budgeting of operating expenses involved for initiating and carrying out an educational program by individual borrowers.
 - b. Advising borrowers' directors and managers concerning the possibilities of programs for the encouragement of more beneficial uses of electricity; advising them concerning arrangements and procedures; guiding and assisting borrowers

with respect to helping their consumer-members to obtain maximum benefits of electric service through a farm and community wiring, plumbing and equipment program; and assisting the borrowers in the employment and training of one or more electrification advisers as needed to carry on an adequate program of member education and power use.

c. Training Electrification Advisers in activities to:

- (1) Develop and carry out an integrated member relations program combining both education in cooperation and education in the maximum benefits from the use of power so as to assure maximum interest and participation of the members in the operation of the cooperative and in the use of services offered, to the end that the security of the cooperative is maintained.
- (2) Coordinate the power-use program, insofar as possible, with programs of other related agencies working with rural people, preferably using the committee technique.
- (3) Encourage and assist dealers in desirable activities in the distribution, installation and servicing of equipment.
- (4) Help plan adequate farmstead wiring and plumbing and assist consumers in selection, arrangement, operation and care of equipment. This includes group demonstrations and meetings.
- (5) Obtain and disseminate power-use information through various local channels, such as newsletters, press, radio, etc.; set up test installations to secure pertinent local data on equipment usage.

d. Planning and scheduling for the preparation by the Information Services Division of bulletins, pamphlets, posters and exhibits, and other educational and instructional material for use in promotion of maximum beneficial and more diversified use of electricity in rural areas.

- e. Advising the Technical Standards Division concerning present and potential farm and rural community uses of electricity requiring research, further development and manufacture of equipment, and for planning and scheduling specific investigations in connection therewith.
 - f. Promoting greater activity on the part of manufacturers, distributors and dealers in the manufacture, distribution and installation of farmstead wiring, plumbing and electric farm and home equipment.
 - g. Planning and initiating power-use activities on the part of Federal, State, regional and local agencies that carry on related programs among rural people.
3. The Information Services Division shall be responsible for:
- a. Preparation and distribution of pertinent bulletins, pamphlets, exhibits and other educational and instructional material for use in promotion of increased and more diversified use of electricity in rural areas as planned and scheduled by the Applications and Loans Division.
 - b. Clearing with Applications and Loans Division on all information to be released by REA that pertains to greater and more beneficial use of electricity.
4. The Technical Standards Division shall be responsible for:
- a. Informing the Applications and Loans Division concerning new developments in the field of electrical equipment for rural farm, home and community use.
 - b. Making special studies of suitability for rural uses of specific items of equipment as requested by Applications and Loans Division.
 - c. In accordance with plans and schedules prepared by Applications and Loans Division, encouraging manufacturers to develop and manufacture new equipment and improve existing equipment.
5. The Power Division is responsible for advising the Applications and Loans Division with respect to the borrowers' power supply.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Assistance to Borrowers in Their Promotion of Beneficial Uses
of Electricity and Related Member Education Activities
Education; Assistance to Borrowers in Their Promotion of Beneficial
Uses of Electricity and Related Member Education Activities
Member Education; Assistance to Borrowers in Their Promotion of
Beneficial Uses of Electricity and Related Member Education
Activities
Power Use; Assistance to Borrowers in Their Promotion of Beneficial
Uses of Electricity and Related Member Education Activities

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 38

SUBJECT: Physical and Inductive Coordination of REA Borrowers'
Electric Systems with Communication Systems

POLICY:

1. Loan funds shall be advanced by the Rural Electrification Administration in connection with physical and inductive coordination of REA borrowers' electric systems with communication systems only in accordance with the policies stated herein.
2. Where it is necessary in connection with the proper construction of a borrower's system to relocate communication systems to avoid structural conflict, the cost of such relocation may be financed with REA loan funds but the cost of rehabilitation, improvement, or repair of any part of the communication system may not be so financed.
3. In rendering advice and assistance to borrowers in the design and construction of their systems, and in approving borrowers' plans and specifications, care shall be exercised to avoid unnecessary exposure to existing communication systems. If the best engineering solution to an inductive interference problem requires the application of mitigative measures to the power system, the cost of such measures, if reasonable, may properly be financed with REA loan funds. However, REA electrification loan funds shall not be advanced for the purpose of minimizing the susceptiveness of communication systems to inductive interference as, for example, by metallicizing ground-return communication systems.
4. With respect to inductive interference problems, borrowers should be advised that the same basic policies as outlined in this Bulletin for REA electrification loan funds should apply to the use of their general or operating funds, and that these policies are applicable equally in respect of communication systems of public agencies as of private enterprises.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: The Engineering Division is responsible for:
 - a. informing distribution-type borrowers of the provisions set forth in this Bulletin;
 - b. rendering advice and assistance to such borrowers on problems of physical and inductive coordination; and
 - c. approving physical and inductive coordination work of distribution-type borrowers, including the cost thereof, that may be financed with loan funds in accordance with the above policies.
2. Power Division: The Power Division is responsible for:
 - a. informing power-type borrowers of the provisions set forth in this Bulletin;
 - b. rendering advice and assistance to such borrowers on problems of physical and inductive coordination; and
 - c. approving physical and inductive coordination work of power-type borrowers, including the cost thereof, that may be financed with loan funds in accordance with the above policies.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Physical and Inductive Coordination of REA Borrowers' Electric Systems with Communication Systems
Inductive Coordination, and Physical; of REA Borrowers' Electric Systems with Communication Systems

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 39

SUBJECT: Assistance to Borrowers in Design and Construction of
Electrical Facilities and Related Activities

POLICY:

1. The design, and satisfactory completion of construction, of facilities for the generation, transmission, and distribution of electric power, of buildings and structures to be used by borrowers in connection with electrical operations, and of electric installations on consumers' premises is a responsibility of the borrowers as owners of their systems. It is assumed that as they acquire experience they will become progressively more efficient in all these activities. However, in representing the Government as mortgagee, and in furthering the objectives of the Rural Electrification Act of 1936, as amended, PEA has a special responsibility to assure itself that physical properties that serve as security for loans are designed and constructed adequately, include no elements that would jeopardize the efficient performance of the system as a whole, and fully reflect the intangible as well as tangible values attributed to them as security. This responsibility includes specific approval of certain matters and procedures, and technical advice and assistance in respect of other matters.
2. Matters and procedures requiring approval include:
 - a. The design of physical properties and subsequent additions, retirements and other modifications.
 - b. Component materials and equipment.
 - c. Construction proposals.
 - d. Letting of bids.
 - e. Construction contracts.
 - f. Conformity of construction to approved design.

- g. Other critical factors in design and construction.
3. Technical advice and assistance rendered in a specific case shall be limited to the requirements of the particular situation and to those aspects of the problem beyond the capacity of the borrower to handle. As illustrations, but not inclusive of the entire range of potential assistance to borrowers with respect to these matters, are the following major activities:
- a. Design of electric generating, transmission, and distribution facilities; and of buildings, structures, and associated facilities.
 - b. Design of meter loops; of wiring of consumers' premises; of plumbing, irrigation, and large power installations for consumers; and of homemade farm and home electrical appliances.
 - c. Obtaining of necessary easements from landowners, releases from lienors, franchises, authorizations, permits, licenses, certificates of public convenience and necessity, approvals, orders from public bodies and others, and titles.
 - d. Preparation of forms of contracts between borrowers and third parties in respect to construction of projects and electric installations on consumers' premises.
 - e. Preparation of construction proposals, the letting of bids, and acceptance or rejection of bids submitted.
 - f. Procurement and inspection of construction materials.
 - g. Inspection of construction while in process to verify its conformity with approved plans and specifications and to promote expeditious handling of the work.
 - h. Final inspection of completed projects, and inspection and testing of electrical facilities of borrowers and their consumers to assure construction and operation in accordance with specifications.
 - i. Review and approval of final inventories of construction, conversion, rehabilitation, retirement or relocation of electric properties financed with REA funds.

RESPONSIBILITY AND PROCEDURE:

1. Divisional responsibilities for assisting borrowers in the design and construction of system electrical facilities are set forth in Administrative Bulletin No. 53 (G-2).
2. Divisional responsibilities for meter loop matters are set forth in Administrative Bulletin No. 42 (BPDM-4).
3. Divisional responsibilities for matters concerning consumer electrical facilities are set forth in Administrative Bulletin No. 37 (BMPU-2).

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude P. Wickard

Administrator

Index:

Assistance to Borrowers in Design and Construction of Electrical
Facilities and Related Activities
Design and Construction of Electrical Facilities and Related
Activities; Assistance to Borrowers in
Construction and Design of Electrical Facilities and Related
Activities; Assistance to Borrowers in

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 40

SUBJECT: Constitution of the Board of Directors of an REA Power-Type Cooperative

POLICY:

1. Proper and efficient administration of a Rural Electrification Administration borrower's system for the generation and transmission of electric energy, including matters of organization and management, is primarily the responsibility of the borrower. In representing the interest of the Government as mortgagee and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, however, REA has a proper concern for the proper organization, operation, and functioning of its borrowers.
2. REA recommends that, insofar as practicable and as permitted by law, the by-laws of a power-type cooperative, consisting of a federation of two or more cooperatives distributing to its consumers electric energy that is obtained from such generation or transmission cooperative, should provide that:
 - a. The board of directors shall contain a representative and workable number of members, each corporate member being equally represented.
 - b. The board of directors or trustees shall be elected by the delegates, boards, or members of the corporate members, except that no one may become a director or trustee of the power-type cooperative unless he is a director or trustee of a corporate member.

RESPONSIBILITY AND PROCEDURE:

1. Power Division: The Power Division is responsible for:
 - (a) informing power-type borrowers of the policy, and
 - (b) advising and assisting such borrowers in effectuating the policy, utilizing the consulting assistance of the Information Services Division.

2. Information Services Division: The Cooperative Education Section of the Information Services Division is responsible for rendering consulting advice to the Power Division on matters concerning the policy.

This Bulletin supersedes Administrative Bulletin No. 17 and all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Constitution of the Board of Directors of an REA Power-Type Cooperative
Board of Directors of an REA Power-Type Cooperative, Constitution of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 41

SUBJECT: Award of Borrowers' Construction Contracts

POLICY:

1. The construction of electric properties and related work is the responsibility of a borrower as the owner and manager of its system. The Rural Electrification Administration is responsible for the proper expenditure of Government funds made available pursuant to the Rural Electrification Act of 1936, as amended, and has the further responsibility as mortgagee to assure itself that the physical properties that serve as security for loans are properly and adequately constructed.
2. It shall be the policy of the Administration to require a borrower, except with the specific approval of the Administrator, to award each construction contract to the lowest responsible bidder, unless all bids are rejected or unless the Administrator shall approve the award of the contract to another responsible bidder upon a showing by the borrower that the award of the contract to such bidder is in the best interests of the borrower.
3. The award of a contract shall not be approved if the facts indicate that the bidder has an interest conflicting with that of the borrower.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: The Engineering Division is responsible for approval of the award of construction contracts (except for generating plants) for distribution-type borrowers.

2. Power Division: The Power Division is responsible for approval of the award of construction contracts for power-type borrowers and for generating plants and step-up substations at generating plants of distribution-type borrowers.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Award of Borrowers' Construction Contracts
Construction Contracts; Award of Borrowers'
Contracts: Construction; Award of Borrowers'

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 42

SUBJECT: Meter Loop Installations

POLICY:

1. In order to assure uniformity of facilities and to obtain maximum protection to other system equipment, the Rural Electrification Administration recommends to borrowers that they finance and supervise the installation of meter loops.
2. The decision as to whether meter loop installations shall be financed by the borrower or by the consumer shall be made by the borrower.
3. Loans may be made by REA pursuant to Section 4 of the Rural Electrification Act of 1936, as Amended, for the purpose of financing meter loop installations on or adjacent to the premises of consumers served by borrowers. Such installations shall be in accordance with REA standards.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for the activities concerned with execution of the policies established in connection with meter loop installations are as follows:
 - a. Applications and Loans Division: The Applications and Loans Division is responsible for:
 - (1) Assistance to borrowers with respect to plans and specifications for meter loop installations by both contract and force account construction in accordance with appropriate REA policies;
 - (2) Making recommendations to the Administrator with respect to loans;
 - (3) Review and making recommendations to the Administrator with respect to approval of meter loop installation contracts;

- (4) Approval of qualifications of inspectors;
 - (5) Approval of construction and review of inventories of units installed by contract;
 - (6) Recommending to the Finance Division the approval of advances to assure the proper application of the policies and plans for meter loop installations.
- b. Management Division: The Management Division is responsible for:
- (1) Approval of group purchase orders for meters and meter loop service control equipment;
 - (2) Assistance to borrowers with respect to preparation and maintenance of records.
- c. Finance Division: The Finance Division is responsible for:
- (1) Verification of mathematical accuracy of inventories;
 - (2) Review and certification of requisitions and advances of funds;
 - (3) Establishment of accounting procedures for guidance of borrowers and auditing of borrowers' records;
 - (4) Informing the Applications and Loans Division of meter loop installations included on approved inventories of construction work orders, particularly with reference to number installed, installed unit cost, and total cost of each type of meter loop assembly.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Meter Loop Installations

5-30-50

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 43

SUBJECT: Selection of Type of Conductor for Distribution
and Transmission Lines

POLICY:

1. Each loan contract with respect to the construction of distribution and transmission lines shall contain appropriate provisions to the effect that the obligation of the Government shall be conditioned upon the Administrator's approval of all plans and specifications and all construction contracts.
2. It is the responsibility of the borrower, with the advice of its engineer, to determine the type of conductor to be used, having due regard for all conditions which affect the cost of construction, the cost of maintenance, and the operating efficiency of the system as a whole. The Rural Electrification Administration recommends that the type of conductor be determined prior to the preparation of plans and specifications. The borrower shall have the option, however, of asking for alternative bids on different system designs and types of conductor and in such cases the borrower shall make its selection after receipt of bids.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Selection of Type of Conductor for Distribution and
Transmission Lines
Conductor for Distribution and Transmission Lines: Selection
of Type of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 44

SUBJECT: Pole and Related Timber Products Used in Connection
with the Construction of Borrowers' System Facilities

POLICY:

1. The construction of physical properties and work related thereto is the responsibility of a borrower as the owner of its system. However, in representing the Government as mortgagee and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, the Rural Electrification Administration has a special responsibility to determine that the physical properties that provide security for loans are constructed adequately and of satisfactory materials to serve the purpose for which they are designed. REA responsibility necessarily includes approval of component materials and equipment.
2. Since the species of timber and treatment of poles and related timber products employed in the construction of electrification and telephone systems are vital factors affecting the operating costs of the system and the life of the facilities on which REA holds a mortgage, it is therefore essential that REA develop standard specifications for poles, specifications for preservative treatment, and a method of inspection.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for activities with respect to pole and timber products are as follows:
 - a. Technical Standards Committees: All standards and specifications for poles, and timber products, and preservative treatments shall be submitted to and considered for acceptance by the Technical Standards Committees in accordance with established regulations governing the operations of such Committees.

b. Engineering Division: The Engineering Division is responsible for:

- (1) Determination of pole requirements of distribution-type borrowers, and the necessary adjustments in relation to the supply of poles.
- (2) Activities in cooperation with the Chief of the Power Division to assure an adequate supply of poles at reasonable prices to meet the requirements of distribution-type and power-type borrowers. These activities shall include responsibility for contacts and negotiations with existing and potential pole suppliers for the purpose of assuring an adequate supply of poles of proper quality and at the right time and place.
- (3) With Technical Standards Division, representing REA on ASA Pole Committee and on Committee on Wood of American Society of Testing Materials.
- (4) Advice and assistance to borrowers in respect of the inspection, maintenance, and replacement of poles after installation.
- (5) Through the Pole Inspection Section:
 - (a) Checking performance of commercial pole inspection companies and pole producing and treating companies to assure conformance with REA standards and specifications through (1) review of pole inspection reports and (2) field checks of the work of commercial pole inspectors and of the producers of raw and treated poles.
 - (b) Advising the Chief and Regional Engineers of the Engineering Division and the Chief of the Power Division on the performance of pole inspection companies and pole producing and treating companies.
 - (c) Determination of minimum qualifications of pole inspection companies for REA-financed work and maintenance of list of acceptable pole inspection companies.

- (d) Informing the Technical Standards Division of any changes that appear desirable in pole standards and specifications on the basis of experience.
- (e) Preparation of reports on poles as may be required by the Administrator, the Engineering, Power, and the Technical Standards Divisions.

c. Power Division: The Power Division is responsible for:

- (1) Determination of pole requirements of power-type borrowers and the necessary adjustments in relation to the supply of poles.
- (2) Cooperation with the Chief of the Engineering Division in regard to pole requirements and supply matters.
- (3) With Technical Standards Division, representing REA on ASA Pole Committee and on Committee on Wood of American Society of Testing Materials.

d. Technical Standards Division: The Technical Standards Division is responsible for:

- (1) Developing pole standards and specifications for submission to Technical Standards Committees.
- (2) Interpretation of REA pole standards and specifications.
- (3) Initiating studies on pole standards and specifications and making such studies and inquiries as requested by the Technical Standards Committees.
- (4) REA relations with Forest Products Laboratory and other public and private agencies regarding establishment of or changes in pole standards and specifications.
- (5) Serving in a consulting capacity to Engineering and Power Divisions on pole matters.
- (6) With Engineering and Power Divisions, representing REA on ASA Pole Committee and on Committee on Wood of American Society of Testing Materials.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Pole and Related Timber Products Used in Connection with the Construction
of Borrowers' System Facilities
Timber Products and Poles Used in Connection with the Construction of
Borrowers' System Facilities.
Construction of Borrowers' System Facilities, Poles and Related Timber
Products Used in Connection with the
Responsibilities for Poles and Related Timber Products
Inspection of Poles and Related Timber Products
Standards and Specifications on Poles and Related Timber Products

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 45

SUBJECT: Method of Determining the Length of an Electric Line

POLICY:

1. Frequently in programs, plans, formal releases, instructions, reports, forms and other documents of a similar nature as well as in day-to-day communications, statements or references are made to or concerning the "length of" a line conducting electric energy; e.g., the "length of" a transmission distribution or service line as distinguished, for example, from the number of lineal feet of conductor required to construct such a line.
2. Whenever such a previously referred to statement or reference to the "length of" a line is made, it shall be understood, unless the context clearly states otherwise, that the length of such line shall be determined by taking the sum of all straight horizontal distances along the line between the source of power and the terminals of the particular line. Such distances shall be those from the source of power or substation to the center of the first pole or pole stake, from the center of each pole or pole stake to the center of the next pole or pole stake, and from the center of the pole or the pole stake to the point of attachment on the building of a consumer.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Electric Line: Method of Determining the Length of An
Length of an Electric Line: Method of Determining
Method of Determining the Length of an Electric Line

- (e) Conduct of operational studies on generating, transmission, and distribution facilities, and on farm and home electrical equipment, for the purpose of improving the design or performance of such facilities and equipment.
- (f) Encouragement of manufacturers, other Federal agencies, state colleges, and others in development of new and improvement of available electrical equipment and methods of its use and application.
- (g) Seeking new methods for alleviation of electrical interference with communication facilities such as: radio, telephone, telegraph, and television.
- (h) Conduct of studies dealing with electro-agriculture in cooperation with other phases of the research program of the Department of Agriculture and with other agencies.

RESPONSIBILITY AND PROCEDURE:

The Technical Standards Division is responsible for the execution of the above policy and activities except for 2(a) and (d) which are the responsibility of the Technical Standards Committees.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Development of Electric Facilities
Standards, Development of Electrical Facilities

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 47

SUBJECT: Area Boundaries and Territorial Agreements

POLICY:

1. In furtherance of the objectives of the Rural Electrification Act of 1936, as amended, the Rural Electrification Administration shall determine the area boundaries of each existing and proposed borrower's system in order to guide the REA in its consideration of applications for construction loans and of the proper design of borrowers' systems to assure the furnishing of adequate electric energy at a reasonable and proper cost to all persons in rural areas, who are not receiving central station service.
2. REA shall discourage borrowers from entering into agreements not to extend electric service to specified unserved persons or areas, and it is REA policy not to approve any such agreements. The effect of such agreements is generally to make unavailable, to the unserved persons concerned, the benefits of the RE Act and to prejudice their prospect of obtaining electric service. Such agreements are, moreover, of doubtful validity in many states under laws relating to restraint of trade. Furthermore, such an agreement relating to unserved persons to whom the borrower has agreed to extend service by its loan contract with the REA, constitutes a breach, actual or anticipatory, by the borrower of its obligations under the loan contract.

RESPONSIBILITY AND PROCEDURE:

1. Applications and Loans Division: The Applications and Loans Division shall be responsible for:
 - a. Obtaining information available in the Washington Office of REA and, after consulting with and considering the recommendations of the Engineering and Management Divisions, and whenever appropriate the Power Division, prepare a statement, including a map if considered necessary, of the proposed optimum area boundaries of the

borrower's system and those of each adjacent system of an REA borrower and submit it to the chiefs of the appropriate divisions for their consideration. Such a statement shall consider the following factors and any other applicable ones with respect to the borrower's system and each such adjacent system.

- (1) Possibilities for the expansion of the use of power.
- (2) Existing and potential sources of power within or adjacent to the proposed area.
- (3) Location and character of existing power lines financed through REA.
- (4) Location and character of existing power lines not financed through REA.
- (5) Possibilities for and advisability of acquiring existing systems within or adjacent to the proposed area.
- (6) Major physical features affecting the extension and operations of the system.
- (7) Other major features (i.e., cultural, economic) affecting extension and operation of the system.
- (8) The ability of the borrower to manage properly a system covering the proposed area.
- (9) State and local regulatory conditions affecting the management of the system covered by the proposed area.
- (10) Other conditions, including those involved by contiguous or adjacent systems, affecting the management of the system.

- b. If the statement proposed by the Chief of the Applications and Loans Division is recommended for approval by the Chiefs of the other appropriate Divisions, the Applications and Loans Division shall inform the borrowers concerned of the areas and boundaries developed and request the borrowers' approval. If the previously mentioned statement is not recommended for approval by the Chiefs of the appropriate Divisions, the Chief of the Applications and Loans Division shall submit his proposed statement, together with the recommendations of the Chiefs of the other Divisions involved to the Administrator for determination. Thereafter

the Applications and Loans Division shall inform the borrowers of the decision, requesting approvals.

- c. Negotiations with each affected borrower shall be carried on by the Applications and Loans Division until the borrowers' approvals are obtained or until the Chief of that Division, after consulting with the Chiefs of the other appropriate Divisions, finds that approvals cannot be obtained from all affected borrowers. If the Applications and Loans Division finds that approvals cannot be obtained from all affected borrowers, the matter shall be submitted, with the written recommendation of the Chief of the Applications and Loans Division, and other Divisions involved, to the Administrator for advice and further instructions.
2. Engineering Division: The Engineering Division shall be responsible for reviewing proposals submitted to it by the Applications and Loans Division, and making recommendations to the Applications and Loans Division, with respect to borrowers' area boundaries.
3. Management Division: The Management Division shall be responsible for reviewing proposals submitted to it by the Applications and Loans Division, and making recommendations to the Applications and Loans Division with respect to borrowers' area boundaries.
4. Power Division: In appropriate cases, the Power Division shall be responsible for reviewing proposals submitted to it by the Applications and Loans Division, and making recommendations to the Applications and Loans Division with respect to borrowers' area boundaries.
5. Administrative Services Division: When the area boundaries of a borrower's system are determined and approved, the Applications and Loans Division shall notify the Administrative Services Division and it shall be the responsibility of the Administrative Services Division to plot such boundaries on an REA record map of the system which will be filed by it.

Nothing contained in this Bulletin is to be construed to prevent the determination of the area and boundaries of a system prior to an application for a construction loan.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Agreements, Area Boundaries and Territorial
Area Boundaries and Territorial Agreements
Boundaries and Territorial Agreements
Territorial and Area Boundaries, Agreements

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 48

SUBJECT: Selection of a Manager of a Rural Electrification
Administration Borrower

POLICY:

1. Proper and efficient administration of a Rural Electrification Administration borrower's system for the generation, transmission or distribution of electric energy, including matters of organization and management and the selection of a manager, is primarily the responsibility of the borrower. However, in representing the interests of the Government, as mortgagee, and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, REA has a concern for the proper organization, operation and functioning of its borrowers. Accordingly, and in recognition of the importance of a competent manager to the establishment and continuation of adequate administration, loan and security documents shall provide that the designation of a manager of a borrower shall be subject to the approval of the Administrator.
2. Furthermore, the REA shall assist its borrowers to develop and use the most effective methods for locating qualified candidates and evaluating their ability for management of the borrower's system. The REA, however, shall not undertake to select or recommend individual applicants to the borrower for vacancies, and only upon receipt of a specific request from a borrower which has encountered difficulty in locating qualified applicants, shall information relative to possible candidates be furnished the borrower for their consideration.

RESPONSIBILITY AND PROCEDURE:

RESPONSIBILITY:

1. Committee on Approval of Managers:

There shall be established in the REA a Committee on Approval of Managers. Such committee shall be composed of the Chiefs of the Applications and Loans Division, Engineering Division, Finance Division, Management Division, Power Division, and the Chief of the Personnel Division as Chairman. Each committee member may designate an alternate to attend the meeting in his place. Records, files and clerical assistance for the Committee will be located in the Office of the Chief, Personnel Division.

The Committee shall be responsible for:

- a. Reviewing and appraising the qualifications of candidates recommended by the borrowers.
 - b. Making recommendations to the Administrator on action to be taken on both probationary and final approvals.
 - c. Answering correspondence, through the Chairman, from persons interested in securing employment as a manager of a borrower's system.
 - d. Establishing procedures and arrangements necessary to the proper conduct of its activities.
2. The Management Division for distribution-type borrowers and the Power Division for power-type borrowers shall be responsible for:
- a. Notifying the Committee on Approval of Managers when a vacancy for the position of manager exists on a borrower's system.
 - b. Advising borrowers regarding REA recommended procedures for locating candidates and evaluating their qualifications for the position of manager of the borrower's system.
 - c. Coordinating REA assistance to borrowers on manager selection when the representatives of other divisions are collaborating to aid a particular borrower in the selection of a manager.
 - d. Providing assistance on management problems to the borrower's manager during the probationary period and reporting periodically to the Committee on Approval of Managers any accomplishments which can be attributed to the manager's efforts.
 - e. Advising a borrower's board of directors in the methods to be used in the evaluation of the performance of its manager during the probationary period and recommending, where necessary, the format of a manager's report which may be used to summarize his accomplishments during his probationary period.
3. The Applications and Loans Division, Engineering Division and Finance Division shall be responsible for:
- a. Assisting the borrower in collaboration with Management or Power Division field representatives in regard to the selection of a manager and having their field representatives submit a report to their respective Regional Heads.

- b. Assisting the manager during his probationary period on matters lying within the assigned responsibilities of the divisions.
- c. Observing and reporting to the Committee on Approval of Managers the manager's accomplishments with respect to the specialized responsibilities of their respective divisions.

PROCEDURE:

1. Any REA employee who learns of a vacancy in the position of manager of an REA borrower shall immediately advise, through his immediate supervisor, the Management Division, or the Power Division, as the case may be, of the vacancy. Upon receiving such advice the Management Division, or the Power Division, shall promptly forward the borrower appropriate information concerning REA's recommended procedures for the selection of a manager, and shall immediately notify the Chairman, Committee on Approval of Managers, where such vacancy exists and that the information on the recommended procedure for selection of a manager has been forwarded to the borrower.
2. The Management Division or Power Division representative, as the case may be, shall visit the borrower as soon as practicable for the purpose of explaining to the borrower REA policy and recommended procedure for obtaining candidates and evaluating their qualifications. The REA representative shall recommend that a borrower obtain as many qualified applicants as possible through advertising or other means and make its selection of the person best qualified for the position of manager. The Division representative shall explain to the borrower the methods which might be used in organizing the data about candidates for the purpose of effective comparison of the candidates' experience. In addition, the representative may assist the borrower's board of directors during the interviewing of candidates for the purpose of reviewing and evaluating qualifications and experience of applicants. Representatives of other Divisions may be present during the interviews. In those instances where such assistance is given, the representatives shall use particular care in avoiding any recommendation or preference on his part of any candidate for the position. Furthermore, they should refrain from stating that any candidate will or will not be approved by REA.
3. The final decision as to the selection for the position of Manager is a local responsibility and must be made by the board of directors.
4. When the board has made its selection, this decision as well as the compensation to be paid should be set forth in a resolution of the board. The resolution, together with the personal experience records of the chosen applicant, and of other applicants who were interviewed shall be forwarded by the borrower to the Administrator.

5. Upon receipt of the borrower's recommendation for approval of the candidate submitted, the Committee on Approval of Managers shall promptly obtain reports from its members of any information available, concerning the qualifications of the applicant selected by the borrower. After filing of these reports, the Committee shall evaluate the borrower's selection for the purpose of preparing its recommendation to the Administrator. Generally speaking, such review and evaluation shall be for the purpose of determining whether or not the candidate selected by the borrower has the qualifications required for competent management of the borrower's system. Should such be the case, the Committee would recommend approval even though in its opinion still better candidates may be found for the position. This policy is in recognition of the fact that REA should leave to the borrower the actual choice of a manager so long as there is assurance that the person chosen is capable of competently managing the business.
6. After consideration of the borrower's selection and the candidates' qualifications the Committee shall make its recommendations to the Administrator. Generally, such recommendations will advise one of the following courses of action:
 - a. Recommend approval of the applicant for manager of a distribution-type borrower for a probationary period of six months commencing with the date of the Administrator's approval or the date of applicant's entry on duty, whichever is the later. In the case of a manager of power-type borrower, or where a majority of the Committee has determined that unusual conditions so justify, the probationary period shall be one year.
 - b. Recommend reconsideration of applicants by the borrower because the borrower's selection is not considered qualified, and it is known that other applicants appear to be qualified.
 - c. Recommend that any or all of the candidates considered by the borrower be rejected for lack of qualifications.
7. After the initial approval of a manager by the REA, the representatives of each division shall assist the manager as required. In addition, each representative shall include in his regular field reports observations regarding the manager's progress and accomplishments during the probationary period. These field reports shall be forwarded to the Committee through the Divisional representative on the Committee.
8. Approximately thirty days prior to the completion of the probationary period, or prior thereto if field reports warrant earlier consideration, Committee members shall report to the Committee their division's

appraisal of the manager's performance. If the Committee concludes on the basis of information received, that the candidate's performance has been satisfactory to date, a letter shall be sent to the borrower by the Administrator requesting a report of the manager's accomplishments together with recommendations by the board concerning final approval. Should the Committee conclude, by majority vote, that the candidate's work has been unsatisfactory, the Chairman of the Committee shall prepare a letter for the Administrator's signature notifying the borrower of the candidate's unsatisfactory performance and recommending the employment of a new manager. The letter shall explain the reasons for REA's decision.

9. On receipt of the manager's progress report and recommendation of the borrower, the Committee shall again review all information available to it and will recommend in a letter prepared for the Administrator's signature one of the following courses of action:
 - a. Final approval of the manager because of his having demonstrated his ability to manage the borrower's system adequately.
 - b. Extension of the probationary period because the manager has not as yet demonstrated his capacity for assuming permanently the position of manager. This letter should, as far as practicable, explain the reasons for this action and offer assistance to the manager during the second trial period.
 - c. The services of the manager be terminated in view of his unsatisfactory performance and that the borrower obtain a new manager.
10. In the event the manager on probation has not been approved and it is recommended that his services be terminated, the field representative of the Management Division or a representative of the Power Division, as the case may be, will visit the borrower to aid in locating satisfactory candidates for the position.
11. The activities of the Committee on Approval of Managers with respect to a borrower's Manager shall cease with the final approval of the manager by the Administrator.
12. The Committee on Approval of Managers shall consider a borrower's recommendation with respect to the salary of a manager only to the extent that it is directly related to his initial employment.

This Bulletin supersedes Administrative Bulletin No. 19 and all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Approval of a Manager of a Rural Electrification Administration
Borrower
Manager of a Rural Electrification Administration Borrower: Selection
of
Committee on Approval of Managers
Selection of a Manager of a Rural Electrification Administration
Borrower

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 49

SUBJECT: Promotion From Within and Advertisement of Vacancies

POLICY:

1. Commensurate with good management practices, vacancies in the Rural Electrification Administration will be filled by the promotion or reassignment of existing qualified personnel if available. All persons on military furlough shall be considered for promotion in absentia. For purposes of promotion and reassignment of personnel, divisional or organizational units will be disregarded.
2. All vacancies, except the first positions to which trainees are promoted, will be advertised in a manner that will insure each employee an opportunity to apply and be considered by those responsible for making the selection.
3. Applicants for vacancies will be appraised and recommendation for selection will be made on the basis of full consideration of the following factors:
 - a. Educational qualifications (as required by the particular job).
 - b. Total experience -- both Government and private business (as required by the particular job).
 - c. Efficiency ratings and demonstrated ability to assume greater responsibility.
 - d. Attitude and interest.
 - e. Seniority within the grade in REA.

When all of the above factors are substantially equal, seniority within the grade in REA shall be determinative.

4. Selection for the filling of vacancies below GS-12 will be made by the Chief of the Division in which the vacancy exists, subject to the approval of the Chief of the Personnel Division. Other selections will be made by the Administrator upon the recommendations of

the Chief of the Personnel Division and the Chief of the Division in which the vacancy exists. No selection announcement is to be made to any employee or to the public without the express approval of the Chief of the Personnel Division or the Administrator.

RESPONSIBILITY AND PROCEDURE:

1. Vacancies will be advertised through personnel bulletins issued by the Personnel Division. Such bulletins will be distributed to supervisors, who will be responsible for calling them to the attention of their employees and to field employees where the vacancy may be of interest to them. Bulletins will include the title, grade, and salary of the vacant position, a description of the duties to be performed and the minimum qualification requirements. If the job advertised is of interest only to Washington personnel, three days generally will be given for filing applications; if the advertisement is also of interest to field personnel, ten days generally will be given for filing applications. In instances where there appears to be only one logical choice for a vacancy that is to be advertised, as determined by the Chief of the Personnel Division and the Chief of the Division in which the vacancy exists, the following statement shall be included in the advertisement:

"There is a candidate of known pertinent experience and proven ability in line for this position, (insert name, grade, and title of position). Any other candidate who wishes to be considered must show qualifications superior to those of the person already in line for the position."

Applicants will not be required to submit a detailed application for each personnel bulletin answered. The Personnel Division will maintain a record system of qualifications and experience, thereby eliminating duplication. However, every applicant will be required, for each personnel bulletin answered, to submit a brief but adequate statement setting forth the reasons he or she feels suited for that particular vacancy and in what manner minimum qualifications are met.

2. Applications of those who meet the minimum qualification requirements will be screened by the Chief of the Personnel Division and the Chief of the Division where the vacancy exists, or their designated representatives. Applicants whose qualifications most nearly meet the factors set forth in Paragraph 3 of the above policy shall be interviewed. All unsuccessful applicants for any particular vacancy will be notified that they were not selected and such notices will give the name of the person selected.

3. After a selection is approved, the Division Chiefs concerned will decide on a mutually satisfactory release date. If agreement cannot be reached for release of the employee, the Chief of the Personnel Division will set the date.

This Bulletin supersedes Administrative Bulletin No. 89 and all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Advertisement of Vacancies: Promotion from Within and
Promotion from Within and Advertisement of Vacancies
Vacancies: Promotion from Within and Advertisement of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 50

SUBJECT: Headquarters Facilities for Distribution-type Borrowers

POLICY:

General:

1. In appraising proposals for the construction, acquisition, or remodeling of headquarters facilities by distribution-type borrowers, the Rural Electrification Administration shall give special attention to the following considerations:
 - a. Loans for headquarters facilities will not be approved for a larger sum than a prudent investment policy would indicate.
 - b. Present facilities occupied by a borrower are inadequate for the efficient and economical operation of the borrower's business.
 - c. Rental facilities are not available to meet adequately the requirements of the borrower's business.
 - d. Rental cost of available quarters shall be compared with costs of facilities financed by REA. If rental costs are less, a determination shall be made as to whether the difference is justified by more efficient and economical operation of the borrower's business.
 - e. Where the acquisition of facilities is involved, loans shall be restricted to the amounts required for the purchase of facilities to be used in the operation of the borrower's business.
 - f. Comparison of the costs of acquiring or remodeling of a building for headquarters that would meet the needs of the borrower with the cost of construction of a new building.

2. Loans for headquarters facilities will not be made if they retard line construction for achieving an area coverage program.
3. Loans shall not be made for the financing of facilities to provide residential or living quarters for employees of a borrower.
4. Loans for headquarters facilities generally will not be made until the ultimate system service area has been determined, or can be predicted with a reasonable degree of accuracy.
5. Loans for headquarters facilities shall be made on the same terms and conditions as other loans pursuant to Section 4 of the Rural Electrification Act of 1936, as amended.

General Requirements:

1. In those instances where the Rural Electrification Administration has under consideration a proposal for the financing of construction or acquisition of headquarters facilities, the borrower shall furnish such data as may be requested in accordance with the following requirements:
 - a. The submission of preliminary plans and proposals for the approval of REA.
 - b. If a loan is made for this purpose, an architect engaged by the borrower and approved by REA shall prepare detailed plans and specifications and these plans shall be subject to REA approval.

General Standards:

1. The Rural Electrification Administration shall establish general standards for appraising borrowers' needs for headquarters facilities, taking into consideration cost of operation and maintenance, suitability of site, style, space requirements, internal arrangement and accessibility of headquarters location to the service area.
 - a. The following "Schedule of Standard Space Requirements" together with the accompanying instructions shall be used as a guide in determining the amount to be spent on borrowers' headquarters facilities:

SCHEDULE OF STANDARD SPACE
REQUIREMENTS FOR REA BORROWERS'
HEADQUARTERS FACILITIES

Service Area:

<u>Miles</u>	<u>Cubic Feet</u>	<u>Miles</u>	<u>Cubic Feet</u>	<u>Miles</u>	<u>Cubic Feet</u>
500	38,000	1600	81,000	3250	127,000
600	43,500	1800	87,000	3500	133,000
700	48,000	2000	93,000	3750	139,000
800	52,000	2200	99,000	4000	145,000
900	56,000	2400	104,000	4500	156,000
1000	60,000	2600	110,000	5000	167,000
1200	67,500	2800	115,000	5300	177,000
1400	74,000	3000	120,000	6000	187,000
				6500	197,000

Office Area:

<u>Members</u>	<u>Cubic Feet</u>	<u>Members</u>	<u>Cubic Feet</u>	<u>Members</u>	<u>Cubic Feet</u>
600	22,000	4000	49,500	11,000	77,000
800	25,000	4400	52,000	12,000	80,000
1000	27,000	4800	54,000	14,000	85,000
1200	29,000	5200	55,500	16,000	90,000
1400	31,500	5600	57,500	18,000	95,000
1600	33,600	6000	59,000	20,000	100,000
1800	35,000	6500	61,000	22,000	104,000
2000	37,000	7000	63,000	24,000	108,000
2400	40,000	7500	65,000	26,000	112,000
2800	42,500	8000	67,000	28,000	115,000
3200	45,000	9000	70,000	30,000	119,000
3600	47,500	10,000	74,000		

2. Instructions for determining the standard amount to be spent for borrowers' headquarters facilities:
 - a. Estimate for each applicant the ultimate number of miles of line and number of consumers.
 - b. Determine from Service Area of the above schedule the number of cubic feet specified for the estimated number of miles of line.
 - c. Determine from Office Area of the above schedule the number of cubic feet specified for the estimated number of members.

- d. Determine the cost of space by applying the appropriate cost per cubic foot to the space resulting from miles of line and number of members and add the two amounts.
- e. Add to the combined space cost ten percent of the amount to cover total cost of architects' fees, legal fees and other overhead expenses.
- f. Exclusive of the cost of the lot and landscaping, the resulting total is the standard amount to be spent for the subject borrowers' headquarters facilities. No increase in the standard amount of funds to be used for headquarters facilities will be approved unless adequate justification is supplied to REA by the borrower.

3. Location of headquarters:

- a. The borrower, after consultation with REA, shall determine the location of the headquarters.
- b. Location should be decided on the basis of general business as well as technical operating efficiency. The headquarters, normally, should be located at a trading center which has adequate mail, restaurant, banking, business-supply and similar facilities, preferably near the center of the borrower's ultimate system service area - a trading center where a large part of the members-consumers go for their shopping.

4. Site of Building:

- a. The borrower, after consultation with REA, shall select the building site with full knowledge of the advantages and disadvantages of center-of-town and edge-of-town sites.
- b. The site should be determined on the basis of such factors as the following: the price of land and the cost of retaining it, rail-freight facilities, adequate parking space, off-street loading facilities, space for garage, warehousing and pole storage, appearance and landscaping opportunities. These factors indicate the desirability of not less than one acre.
- c. In selecting a site, the borrower should consider several factors not generally applicable to other

forms of business. Among these factors is accessibility to any present cooperative center, or other community agricultural buildings. The borrower should give sympathetic consideration to a site which is adjacent to or convenient to such center or building.

- d. Purchase of land to be used as the site for a headquarters building, the title proof therefor, shall be subject to REA approval prior to purchase.

5. Size of Headquarters Building:

A loan for the construction of a new building or acquisition of an existing building will be approved only when the plans for it are consistent with plans that provide for the ultimate needs of the borrower, determined by careful joint study by the borrower and REA. The building should be so placed on the site and so constructed that future expansion, if necessary, can be effected economically.

6. Architectural Style:

- a. Borrowers' headquarters buildings should reflect dignity and simplicity. The design and layout should conform to good architectural and construction practices. The use of materials locally available should be considered, so that a building will be identified with the community in which it is located.
- b. Wherever possible, local architects should be retained to work out the design.
- c. The headquarters building should carry the letters "REA" for purposes of identification with the REA program.

7. Plan Arrangement:

- a. In general, all the facilities relating to a borrower's headquarters, such as office, warehouse, garage, should be under a single roof; and the storage yard for poles should adjoin and if possible be on the same lot as the headquarters. Exceptions to this policy will be recognized in the case of large systems covering a great area where it may be desirable and feasible to establish a branch office, warehouse, garage and pole facilities at several locations.
- b. Where a borrower has both generation and distribution facilities, the headquarters office should be housed in a

separate building, although the generation plant building and the office building may adjoin.

- c. REA will provide general standards for internal arrangements as a guide for borrowers.

RESPONSIBILITY AND PROCEDURE:

Responsibilities for activities with respect to borrowers' headquarters facilities shall be as follows:

1. Management Division: The Management Division shall be responsible for:
 - a. Establishment of standards for appraising costs of operations and maintenance of headquarters facilities for assistance to borrowers.
 - b. Assistance to borrowers in their determination of the location of their headquarters and the site of their headquarters facilities.
 - c. Assistance to borrowers in appraising their needs for headquarters facilities required, including cost, methods of financing, functional arrangement of space, and preparation of sketches and proposals.
 - d. Recommendations to the Administrator, after consultation with Applications and Loans Division, Engineering Division and the Office of the Solicitor, for the approval of all proposals for acquisition or construction of headquarters sites and buildings including sketches, plans, costs, and method of financing after consideration of proposal in relation to borrowers' needs and financial status.
2. Engineering Division: The Engineering Division shall be responsible for:
 - a. Preparation of suggested general standards for internal arrangements of borrowers.
 - b. Supplying the cost per cubic foot of borrowers headquarters facilities as required in connection with the procedure for determining the amount to be spent for such facilities.

- c. Approval of selection of architect engaged for preparation of plans and specifications.
 - d. Recommendations to the Administrator for approval of contract with architect engaged for preparation of plans and specifications and supervision of construction.
 - e. Approval of plans and specifications.
 - f. Approval of releases for bids and recommendation to the Administrator for approval of construction contracts.
 - g. Assistance to borrowers in completion of construction.
 - h. Approval of final inventory, inspection, and acceptance of completed construction.
3. Applications and Loans Division: The Applications and Loans Division shall be responsible for:
- a. Consulting with the Management Division in respect of borrowers' proposals from the viewpoint of availability of loan funds as well as facilities concerned with power use and member education.
 - b. Recommendations to the Administrator for loans based on borrowers' proposals approved by the Administrator.
 - c. Estimating for each applicant the ultimate number of miles and number of members.
4. Finance Division: The Finance Division shall be responsible for:
- a. Verification of accuracy of inventories and other documents essential to advance of funds.
 - b. Review and certification of requisitions and advances of funds.
 - c. Establishment of accounting procedure for assistance to borrowers and auditing of borrowers' records.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Headquarters Facilities for Distribution-Type Borrowers
Office Buildings; Headquarters Facilities for Distribution-Type
Borrowers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 51

SUBJECT: Borrowers' Two-Way Communication Facilities

POLICY:

1. It is the policy of the Rural Electrification Administration to finance under the same terms and conditions as other loans made pursuant to Section 4 of the Rural Electrification Act of 1936, as amended, the installation of two-way communication facilities necessary for the operations of REA borrowers; provided, however, that: (a) such loans are for a communication system suitable for the ultimate service area; (b) the costs of the particular system contemplated by a borrower are prudent in the light of the particular borrower's financial status, the service improvements, and other benefits; and (c) the proposed system is appropriate to the topography, climatic conditions, area to be covered, layout of power lines and other characteristics of the borrower's ultimate system. The borrower, after consultation with REA, shall determine the type of equipment to be installed. It is recommended, however, that borrowers select a complete system furnished and installed by one supplier.
2. Approval may be given to the rental of communication facilities by borrowers provided that the rental fees compare favorably with the costs of similar facilities if purchased outright and the rented facilities otherwise meet the requirements outlined in paragraph 1 above.
3. Where REA loan funds are not immediately available, a borrower may seek permission to use general funds in anticipation of an REA loan assuming an adequate showing in respect of its financial situation if its general funds expenditure is never reimbursed by loan funds. After REA approval, the borrower may execute its plans with the understanding that when loan funds are again available, REA will give consideration to a loan to reimburse general funds.
4. Purchase of land to be used for communication facilities and title proof thereof shall be subject to REA approval prior to purchase.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for activities with respect to execution of policy concerning borrowers' communication facilities shall be as follows:
 - a. Applications and Loans Division: The Applications and Loans Division shall be responsible for making recommendations to the Administrator for loans for two-way communication facilities based on borrowers' proposals approved by the Engineering Division (for distribution-type borrowers) or the Power Division (for power-type borrowers).
 - b. Engineering Division: For distribution-type borrowers, the Engineering Division shall be responsible for:
 - (1) Assistance to borrowers in engineering appraisal of the types and costs of possible communication systems to meet borrowers' particular requirements.
 - (2) Estimating loan requirements for two-way communication facilities.
 - (3) Approval of all borrowers' proposals as to technical adequacy and costs for installations of two-way communication facilities after giving consideration to overall plans, costs, and methods of financing.
 - (4) Assistance to the Management Division in the analysis of rental proposals and their comparison with purchased equipment to give equivalent service.
 - (5) Reviewing plant procurement orders as to agreement with approved proposals and recommending advance of funds to Finance Division.
 - (6) Assistance to borrowers on the physical installation of communication facilities, including selection, purchase or lease of real estate for equipment sites.
 - (7) Assistance to borrowers in applying for necessary licenses for equipment and personnel, and other compliance with regulations of the Federal Communications Commission.
 - (8) Assistance to borrowers in the technical operation and maintenance of communication facilities.

- (9) Technical staff assistance to the Power Division on problems of communication facilities for power-type borrowers.

c. Management Division: For distribution-type borrowers, the Management Division shall be responsible for:

- (1) Reviewing rental proposals and on the basis of equivalent installation costs supplied by the Engineering Division, deciding whether it would be desirable to recommend to borrowers rental or purchase of equipment.
- (2) Recommendations to the Administrator authorizing borrowers to use general funds, or general funds in anticipation of loan funds, for financing two-way communication facilities.
- (3) Assistance to borrowers in the effective utilization of communication facilities.
- (4) Advice to borrowers relative to insurance coverage necessary for the installation and operation of two-way communication equipment.

d. Power Division: For power-type borrowers, the Power Division shall be responsible for the pertinent activities assigned to the Engineering and Management Divisions as outlined in (b) and (c) above.

e. Technical Standards Division: The Technical Standards Division shall be responsible for:

- (1) Investigation of new developments in two-way communication equipment relative to its application to rural electrification, and stimulation of the development of communication equipment to meet the specific needs of the rural electrification program.
- (2) Preparation of general plans and specifications and lists of types of equipment for submission to the Technical Standards Committees for acceptance.
- (3) Consulting service, upon request, to the Engineering and Power Divisions on special or unusual communication problems.

f. Finance Division: The Finance Division shall be responsible for:

- (1) Verifications of accuracy of documents essential to advance of funds.
- (2) Review and certification of requisitions and advance of funds.
- (3) Establishment of accounting procedure for guidance of borrowers and auditing of borrowers' records.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Charles R. Wickard

Administrator

Index:

Borrowers' Two-Way Communication Facilities
Communication Facilities: Borrowers' Two-Way
Two-Way Communications Facilities, Borrowers
Radio: Borrower's Two-Way Communications Facilities

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 52

SUBJECT: Removal and Sale of a Portion of a Borrower's System
Located on Land Acquired by Federal, State or
Territorial Governmental Agencies.

POLICY:

Where a governmental agency of the United States or of any State or Territory, in acquiring lands for public purposes, desires to acquire right-of-way easements or other property of a borrower located on such lands by negotiation of a voluntary contract for the removal and sale of portions of the borrower's system, in lieu of condemnation of the borrower's property, it is the policy of the Rural Electrification Administration to assist the borrower in the negotiation of a contract which will provide adequate compensation to the borrower for such removal and sale. The borrower shall submit to REA an estimate of compensation it proposes to accept in respect of such removal and sale in such form and detail and at such time or times as the Administrator may direct, and the borrower shall obtain REA approval of the proposed contract for compensation before such contract is submitted by the borrower for final action of the acquiring agency.

RESPONSIBILITY AND PROCEDURE:

1. A borrower, in the preparation of its estimate of the compensation it proposes to accept from the acquiring agency for the removal and sale of its property, may be assisted by the Engineering Division (or the Power Division in respect of facilities of power-type borrowers). All negotiations with a borrower with respect to such an estimate shall, until the estimate is in such form and amount as the Chief of the Engineering Division or the Power Division, respectively, deems reasonable and proper, be conducted by or through that respective Division. That Division shall collaborate in this respect with all other appropriate divisions including the Applications and Loans Division, the Finance Division, the Management Division, and with the Solicitor's Office.

2. After the Solicitor's Office has cleared the formula forming the basis for the estimate and its substantive elements and after the Engineering Division, or the Power Division, as the case may be, and the Management Division have cleared the amount and conditions of the estimate, the Engineering Division (or the Power Division) shall prepare and transmit an appropriate notification to the borrower signifying tentative REA approval of the estimate and other arrangements concerning the proposed removal and sale.
3. Thereafter, the Solicitor's Office will be responsible for assistance to the borrower in its negotiations with the acquiring agency leading to the preparation of a contract, and will collaborate, in this respect, with all appropriate divisions of REA.
4. A proposed contract between a borrower and the acquiring agency, submitted for final approval by the Administrator, shall first be reviewed by the Engineering Division (or the Power Division in respect of facilities of power-type borrowers), and then forwarded to the Management Division (or the Power Division Management Section, as the case may be), which shall attach the recommendation of the Finance Division and shall append a memorandum recommending the manner in which the proceeds of the contract, payable to the borrower, are to be disposed of by the borrower. The contract and memorandum shall be forwarded to the Applications and Loans Division so that this Division may make any appropriate notations in its records, including the changes in the borrower's mileage and operating revenues which will result from the contract. The contract and attached memoranda shall then be forwarded to the Solicitor's Office which will review the contract and, in appropriate cases, prepare a certificate, for execution by the Administrator, approving the sale and specifying the disposition of the proceeds in accordance with the Management Division's memorandum. The contract, memoranda, and certificate shall then be forwarded to the Administrator. Upon approval by the Administrator, the contract, memoranda, and certificate shall be returned to the Engineering Division (or the Power Division in respect of lines of power-type borrowers), which will return copies of the approved contract, together with a copy of the certificate specifying the disposition of the proceeds, to the borrower.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Removal and Sale of a Portion of a Borrower's System Located on Land
Acquired by Federal, State or Territorial Governmental Agencies.
Sale and Removal of a Portion of a Borrower's System Located on Land
Acquired by Federal, State or Territorial Governmental Agencies.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 53

SUBJECT: Responsibilities for Activities with Borrowers Concerning
Their Distribution, Generation or Transmission Facilities

RESPONSIBILITY AND PROCEDURE:

1. DIRECT RELATIONS WITH BORROWERS, CONTRACTORS, ENGINEERS AND
OTHERS OUTSIDE THE RURAL ELECTRIFICATION ADMINISTRATION

- a. Applications and Loans Division: The Applications and Loans Division receives all applications for loans and is responsible for the review and routing of, and the formulation of recommendations with respect to, loan applications.
- b. Engineering Division: The Engineering Division is responsible, except for generation, for matters relating to the design, construction, operation and maintenance activities in reference to facilities of distribution-type borrowers.
- c. Power Division: The Power Division is responsible for:
 - (1) Design, construction, operation, maintenance and management activities in reference to borrowers all of whose loans have been exclusively for generating or transmission facilities (power-type borrowers).
 - (2) Design, construction, operation and maintenance (but not management) activities in reference to generating facilities of all other borrowers (distribution-type borrowers).
- d. Management Division: The Management Division is responsible for all management activities of distribution-type borrowers.
- e. Finance Division: The Finance Division is responsible for certification of requisitions; advance of loan funds; computation of principal and interest amounts due the Government; maintenance of governmental fiscal records; devising, installing and auditing all accounting records; interpretation and

field inspection of records to determine adherence to established REA accounting standards and procedures; and for giving accounting advice and assistance to borrowers.

2. INTERNAL RELATIONS AMONG REA DIVISIONS

a. Applications and Loans Division: The Applications and Loans Division:

- (1) Requests advice, assistance and recommendations with respect to loan applications for distribution, generation, transmission or substation facilities from the Engineering Division or the Power Division, on the basis of their respective activities as shown on the attached chart.
- (2) Informs the Engineering Division immediately regarding new loan applications for distribution and transmission facilities from distribution-type borrowers.
- (3) Informs the Power Division immediately regarding new loan applications for generating facilities from all borrowers and for transmission facilities from power-type borrowers.
- (4) Informs the Power Division immediately of any plans for the formation of new power-type borrowers.

b. Power Division: The Power Division:

- (1) Provides preloan advice to the Applications and Loans Division on power-type borrowers' facilities and for generating facilities and step-up substations related thereto of distribution-type borrowers.
- (2) Reviews non-standard transmission design and gives approval of such design to the Engineering Division for transmission facilities of distribution-type borrowers.
- (3) Gives advice and makes recommendations to the Engineering Division on all transmission plans and profiles, board studies and relaying problems.
- (4) Gives approval of Engineering Division correspondence on operation and maintenance problems of transmission

facilities connected to distribution-type borrowers' generating plants.

c. Engineering Division: The Engineering Division:

- (1) Provides preloan advice to the Applications and Loans Division on distribution-type borrowers' facilities, other than generating facilities and step-up substations related thereto.
- (2) Requests from the Power Division basic studies with respect to loan applications for transmission facilities connected to generating plants from distribution-type borrowers.
- (3) Renders advice to and makes recommendations to the Power Division on the structural design of buildings for generating plants and other buildings for power-type borrowers.

d. With respect to the activities outlined in paragraphs "b" and "c" above, it is a responsibility on the part of the divisions assisted to request such advice and recommendations. Divisions responsible for particular activities on a request basis are shown on the attached chart.

DETAILED CHART OF DIVISIONAL RESPONSIBILITIES FOR DISTRIBUTION, GENERATION AND TRANSMISSION ACTIVITIES

Type of Borrower	Facilities	<u>Preloan</u>		<u>Design</u>		<u>Construction</u>		<u>Oper. & Maint.</u>		<u>Management</u>	
		Line	Staff	Line	Staff	Line	Staff	Line	Staff	Line	Staff
1. DB	Distribution	A&L	ED ¹	ED	PD ²	ED	PD ²	ED	PD ²	MD	ED ²
2. PB	Generation	A&L	PD ¹	PD	ED ^{5,2}	PD	ED ²	PD	ED ²	PD	MD ²
3. DB	Generation	A&L	PD ¹	PD	ED ^{5,2}	PD	ED ²	PD	ED ²	MD	PD ²
4. PB	Transmission	A&L	PD ¹	PD	ED ²	PD	ED ²	PD	ED ²	PD	MD ²
5. DB	Transmission connected to Borrowers' Generating Plants	A&L	ED ^{1,6}	ED	PD ¹	ED	PD ²	ED	PD ¹	MD	ED ²
6. DB	Transmission, all other	A&L	ED ^{1,3}	ED	PD ¹	ED	PD ²	ED	PD ²	MD	ED ²
7.	Substations:										
PB	(a) Step-up at Gen. Plant	A&L	PD ¹	PD	ED ²	PD	ED ²	PD	ED ²	PD	MD ²
DB	(b) Step-up at Gen. Plant	A&L	PD ¹	PD	ED ²	PD	ED ²	PD	ED ²	MD	PD ²
PB	(c) Step-down	A&L	PD ^{1,4}	PD	ED ²	PD ⁴	ED ²	PD	ED ²	PD	MD ²
DB	(d) Step-down	A&L	ED ^{1,3}	ED	PD ²	ED ³	PD ²	ED	PD ²	MD	ED ²

KEY TO SYMBOLS

- | | |
|---|---|
| DB - Distribution-type borrower (other than power-type borrowers) | 1. A required activity. |
| PB - Power-type borrower (exclusively generation or transmission) | 2. On request. |
| A&L - Applications & Loans Division | 3. ED must keep PD informed. |
| ED - Engineering Division | 4. PD must keep ED informed. |
| MD - Management Division | 5. A required activity for building design. |
| PD - Power Division | 6. ED must call on PD for basic study. |

EXPLANATION OF CHART - DEFINITIONS

LINE - A "line" responsibility means to deal directly, both through personal contact and correspondence, with borrowers, engineers, contractors and others outside REA on matters within the scope of the division functions. For example, Item 2 of the chart shows the Power Division as having the "line" responsibility to power-type borrowers for all matters pertaining to design, construction, operation, maintenance and management of their generating plants.

STAFF - A "staff" responsibility means to serve as a consultant to divisions having "line" responsibility to borrowers and to render assistance on particular activities as assigned by this Administrative Bulletin. For example, Item 6 of the chart shows the Engineering Division as having the "line" responsibility for design activities, but is required to obtain Power Division concurrence in the design of non-standard transmission facilities; and in reference to the construction of such facilities the Engineering Division may request advisory services of the Power Division.

NUMERICAL SYMBOLS:

No. 1 - A required activity: This notation means that the division with the line responsibility, before taking action with a borrower, engineer, contractor and others, obtains agreement of the indicated staff division. For example, Items 5 and 6 of the chart show that the Applications and Loans Division has the line responsibility for preloan activity, but before making a loan recommendation is required to obtain for its consideration an engineering report from the Engineering Division.

No. 2 - On request: This means that the division with staff responsibility provides advisory services only when requested by the division having the line responsibility.

No. 3 - ED must keep PD informed: This means that the Engineering Division keeps the Power Division informed of all its relations with a borrower, engineer, contractor and others on a specified activity and notifies the Power Division of scheduled conferences and furnishes the Power Division copies of outgoing communications.

No. 4 - PD must keep ED informed: This means that the Power Division keeps the Engineering Division informed of all

its relations with a borrower, engineer, contractor and others on a specified activity and notifies the Engineering Division of scheduled conferences and furnishes the Engineering Division copies of outgoing communications.

- No. 5 - A required activity for building design: This means that the Power Division has the line responsibility for the construction of a generating plant, but it must receive Engineering Division concurrence in the design of the generating plant building.
- No. 6 - ED must call on PD for basic study: This means that the Engineering Division forwards to the Power Division requests for basic engineering studies from the Applications and Loans Division on transmission facilities connected to generating plants. The completed studies and recommendations are returned to the Engineering Division which is responsible for returning the final study to the Applications and Loans Division.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Construction Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities
Design Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities
Distribution, Generation or Transmission Facilities: Responsibilities for Activities with Borrowers Concerning their Facilities: Responsibilities for Activities with Borrowers Concerning their Distribution, Generation or
Generation or Transmission Facilities: Responsibilities for Activities with Borrowers Concerning their Distribution,
Management Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities
Operations and Maintenance Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities
Preloan Activities: Responsibilities with Borrowers Concerning their Distribution, Generation or Transmission Facilities

Index (Cont'd):

Responsibilities for Activities with Borrowers Concerning their
Distribution, Generation or Transmission Facilities

Substation Facilities: Responsibilities for Activities with
Borrowers Concerning their Distribution, Generation or
Transmission Facilities

Transmission Facilities: Responsibilities for Activities with
Borrowers Concerning their Distribution, Generation or

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 55

SUBJECT: Borrowers' Records - Establishment, Maintenance, and
Audit Thereof

POLICY:

1. The Rural Electrification Administration shall require all borrowers to keep at all times, in accordance with good accounting practice, such books, records, and accounts as the Administrator may require and safely to preserve such books, records, and accounts, in which full and true entries shall be currently made of all dealings, business, and affairs of the borrower. The Government, through its agents, representatives, accountants, or attorneys, shall at all times during reasonable business hours have access to and the right to inspect and to make copies of all such books, records, and accounts, and all invoices, contracts, leases, payrolls, cancelled checks, statements, plans, specifications, drawings, and other documents and papers of every kind belonging to or in possession of the borrower in anywise pertaining to the borrowers' system or the construction thereof.
2. REA shall design recommended accounting forms, records, and procedures and render such advice and assistance to the borrower in the installation and maintenance of books, records, and accounts as the Administrator may from time to time determine to be reasonable and adequate for the protection of the Government's security interests.
3. Borrowers' books, records, and accounts shall be audited annually, provided the making of such annual audits is not inconsistent with the need for providing special accounting advice and assistance to borrowers. Special audits or examinations, other than the annual audit, shall be made when the furtherance of the objectives of the REA program or the protection of the Government's security interests indicates the

necessity thereof. All audits shall be made by REA employees, except that a borrower, having a net worth of 15% and a weighted average age of 60 months, shall be required to have its books, records, and accounts (except for loan fund transactions) audited annually by certified public accountants in accordance with REA standards. Such certified public accountants shall be selected by the borrower, subject to the approval of the Administrator. In those instances wherein a borrower's records are required to be audited by certified public accountants, REA employees shall continue to audit the borrower's loan fund transactions.

4. While audits conducted in accordance with this policy are of primary concern to the Government in its interest as mortgagee, it is recognized that the audit incidentally provides important information for efficient and economical management by borrowers of their business affairs. Therefore, REA shall provide the borrower with a written report on the audit of the borrower's records when such audit is made by REA employees. In those instances wherein borrowers' records are required to be audited by certified public accountants, the borrowers shall provide REA with such number of copies of the audit as the Administrator may require.

RESPONSIBILITY AND PROCEDURE:

1. Finance Division: The Finance Division is responsible for:
 - a. Design and installation of accounting forms, records, and procedures.
 - b. Audit of REA borrowers' books, records, and accounts, including, when required, the presentation of the audit report, in collaboration with the Management Division or the Power Division as the case may be whenever possible, to the borrowers' boards of directors. Copies of the audit report shall be furnished to borrowers and to other divisions of REA as determined by the Administrator.
 - c. REA field auditors should not, except as hereinafter provided, attend borrowers' boards of directors' meetings for the purpose of discussing the results and conclusions of an audit before it has received final review and approval by REA. In those instances wherein a borrower specifically requests the field auditor to discuss the preliminary conclusions of

the audit with the board of directors, or wherein such action is determined to be in the best interest of REA, the field auditor may do so, provided the auditor has clearance from the Regional Head, Finance Division. Before giving clearance, the Regional Head, Finance Division, shall confer with the Regional Head, Management Division for distribution-type borrowers (with the Head, Management Section, Power Division for power-type borrowers) to determine whether there are any circumstances that would make it undesirable for the field auditor to discuss his preliminary audit conclusions with the board of directors.

- d. If clearance is given to the field auditor, his comments should be confined to:
 - (1) A statement that the conclusions are preliminary pending final review and approval.
 - (2) Factual data of an accounting and financial nature.
 - (3) The necessary corrections recommended to make the borrower's records more accurate or complete.
- e. REA field auditors may give recommendations to borrowers' personnel for necessary corrections in their accounting records and such recommendations may be discussed with both the manager and other borrower's personnel concerned with the accounting records. Copies of such recommendations may be forwarded to the borrower's board of directors for its information.
- f. Advice and assistance to borrowers or other divisions of REA concerning accounting forms, records, and procedures, including the interpretation thereof. Such assistance shall not be construed as meaning the performance of the clerical and book-keeping work required to bring the records into proper condition.
- g. Procedures or other action necessary to determine that borrowers' accounting books, records, and accounts are being properly maintained and include required information.
- h. Preparation of pertinent reports or data for the Administrator, or other divisions of REA, on matters directly related to accounting methods and procedures.

- i. Recommendations to the Administrator or other divisions of REA with respect to over-all changes necessary to insure accuracy or efficiency in accounting matters.
- j. Advising the Management Division for distribution-type borrowers (the Power Division for power-type borrowers) and bringing to its attention pertinent observations and recommendations, from the standpoint of accounting requirements, as to personnel, equipment, and procedures of the borrowers.

2. Management Division: The Management Division is responsible for:

- a. Advice and assistance to borrowers, as required, concerning personnel, equipment, and procedures (other than accounting procedures) needed for the proper conduct of their business affairs.
- b. Discussing with boards and managers of borrowers the management implications of audits and special examinations.
- c. Advising the Finance Division when, in its opinion, special advice and assistance as to accounting procedures is needed or special examinations appear advisable.
- d. Encouraging borrowers to maintain properly adequate records in accordance with the approved accounting procedures.
- e. Advising the Finance Division as to management needs and requirements in connection with accounting procedures and methods.
- f. Conferring with the Finance Division concerning circumstances affecting the presentation of preliminary audit conclusions to boards of directors.

3. Engineering Division: The Engineering Division is responsible for:

the encouragement of borrowers to maintain at all times adequate records and procedures as recommended by REA to account properly for material and other construction costs, and promptly to prepare and submit work orders or other documents covering additions and retirements of plant.

4. Power Division: The Power Division is responsible for performance with respect to power-type borrowers of the functions assigned to the Management and Engineering divisions with respect to distribution-type borrowers.

PROCEDURE WHEN BORROWER'S FISCAL RECORDS ARE NOT IN PROPER CONDITION
FOR REA AUDIT

1. When an REA auditor, about to undertake an audit of a borrower's financial condition, has ascertained that the audit would be substantially delayed by reason of poor or inadequate records, the auditor shall immediately bring the matter to the attention of the Chief of the Finance Division as directed through such procedures as the Chief of the Finance Division shall prescribe.
 - a. Where it appears that the inadequacies are caused by a lack of knowledge of accounting procedures on the part of the borrower's personnel, the Finance Division shall arrange with the manager to have the records brought into proper condition and shall furnish such advice and assistance as is reasonable and necessary. When requested by the Finance Division, the Management Division for distribution-type borrowers (the Power Division for power-type borrowers) shall assist in stressing to the manager or the board, the importance of adequate records.
 - b. Where it appears that the inadequacies are caused by some factor other than lack of knowledge, or appreciation of the importance of accounting procedures (such as insufficient personnel, inadequate equipment, or unsatisfactory office procedures other than accounting), the Finance Division shall so inform the Management Division (or the Power Division) and shall acquaint the Management Division (or the Power Division) with the deficiencies. The Management Division (or the Power Division) shall as soon as possible visit the borrower to advise and assist by making recommendations as to the actions necessary to facilitate the bringing of the records into proper condition. The borrower continues to be responsible for the condition of its records and the clerical work needed to bring the records into proper condition. The Finance Division continues to be responsible for the giving of advice and assistance with respect to accounting procedures and methods.

- c. In the event that the records are not then brought into condition for audit within a reasonable time, the Chief of the Finance Division shall confer with the Chief of the Management Division (Chief of Power Division for power-type borrowers) and they shall prepare a letter for the signature of the Administrator to the borrower's president (with a copy to be sent the manager) advising the directors concerning the condition of the records and that representatives of the Finance and Management Divisions will be available at the next meeting of the board for such advice and assistance as the latter may desire and as permitted by REA policy and procedures.
- d. If thereafter the records are not, within a reasonable time, brought into condition for audit,
 - (1) The Chief of the Finance Division shall prepare a report to the Administrator stating the unsatisfactory condition of the records as found when the audit was assigned, assistance and instructions given the borrower for correction of the records, follow-up efforts to have the records brought in condition for audit, and a final statement regarding the present condition which the Chief of the Finance Division finds unsatisfactory. The report shall include the recommendations of the Finance Division regarding the steps which should be taken to correct the accounting records and procedures.
 - (2) The Chief of the Management Division (Power Division for power-type borrowers) shall prepare a report to the Administrator outlining conditions found on the cooperative, assistance and instructions given the borrower for correction of these conditions, follow-up efforts to determine that action had been taken and recommendations regarding what additional steps should be taken with reference to the over-all management of the borrower.
 - (3) These reports shall be submitted jointly to the Administrator for such action as the Administrator may deem necessary and required for the protection of the Government's security interests.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Audit of Borrowers' Records - Establishment and Maintenance
Borrowers' Records - Establishment, Maintenance, and Audit Thereof
Establishment, Maintenance, and Audit of Borrowers' Records
Maintenance, Establishment, and Audit of Borrowers' Records
Records, Borrowers' - Establishment, Maintenance, and Audit Thereof

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 56

SUBJECT: Electrification Loan Policy

POLICY:

1. Loans, pursuant to Section 4 or Section 5 of the Rural Electrification Act of 1936, as amended, are made only upon proper application therefor prepared and submitted by the prospective borrowers. Applications for loans under Section 4 of the Act shall be transmitted to REA pursuant to a direction of the board of directors or other proper group requesting the loan. In connection therewith, REA may, depending on particular circumstances, require submission of the following:
 - a. Maps showing proposed electrical facilities and prospective consumers;
 - b. Membership tabulation showing whether prospective consumers have signed applications for membership, paid any membership fee required, or granted an easement for line construction.
2. Applications for loans under Section 5 of the Act must indicate among other things, the total amount of loan requested; the approximate amount to be loaned for each purpose; the estimated number of consumers to participate in the proceeds of the loan; and a resolution of the board of directors establishing a credit committee stating its duties and responsibilities.
3. All applications for loans, when received by REA shall be entered on a register of such applications. Separate registers shall be maintained for applications for loans under Section 4 and Section 5 of the Act. To the extent practicable, applications for loans shall be considered in the order in which received.

4. All material factors entering into the determination of legality and feasibility of a proposed loan shall be taken into account in considering applications for loans. Illustrative of those factors in respect of applications for loans under Section 4 are the following: total estimated cost of construction; miles of line to be constructed; consumers to be served; estimated annual gross revenue; estimated annual expense; required monthly revenue; operating record, if any; an evaluation of the economics of the area proposed to be served; availability of a satisfactory source of power; record of debt service payments; as to proposed acquisitions, condition and earning record of the properties, estimated cost of rehabilitation, and salvage value of material and equipment to be retired; a power cost study if the proposed loan is to finance in whole or in part one or more generating plants; and similar pertinent information according to the circumstances of each proposed loan.
5. Following the examination of applications, loans may be recommended to the Administrator provided the application meets all applicable requirements. A recommendation to the Administrator for the making of a loan shall consist of a docket summarizing the pertinent facts to support the conclusion that the security for the loan would be reasonably adequate and such loan would be repaid within the time agreed. Before any loan is made a certificate shall be executed by the Administrator to the effect that he finds and certifies that in his judgment the security for the loan is reasonably adequate and such loan will be repaid within the time agreed. A budget shall be prepared in connection with loans under Section 4 showing the purposes for which funds are loaned. Illustrative of those purposes are the following: construction, engineering fees, meters, transformers, legal fees and expenses, construction overhead, and insurance. In the granting of loan funds under Section 4 it may be specified that construction shall be by the self-help method.
6. After the loans are made, the pertinent legal requirements and any administrative requirements imposed at the time the loan is made, shall be complied with before funds are advanced to the borrower. The terms of repayment of each loan shall be established taking into consideration the pertinent legal requirements and the present and prospective financial condition of the borrower.

7. Funds shall be advanced on account of a loan only in accordance with the established loan budget and on the basis of a properly executed requisition. Such funds advanced must be deposited only in a depository approved by REA. Original receipts or other acceptable evidence of disbursement by borrowers of loan funds for proper purposes shall be examined by authorized representatives of REA. Periodic reports showing the status of funds advanced shall be submitted as requested by the Administrator.
8. Statements of principal and interest balances and amounts due on their various obligations to REA shall be provided all borrowers.
9. As an aid to borrowers and to safeguard loans made, REA shall render them such advice and assistance in connection with proper organization and the design, construction, and operation of electrical facilities and related matters as each particular circumstance may justify. Extension of the time of payment of interest or principal of any loans may be granted as provided in Section 12 of the Act. Advance payments on one note may be transferred and applied against other notes of the same borrower held by the Government.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Electrification Loan Policy
Loan Policy, Electrification
Policy for Electrification Loans

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

LD-2 (rB1)
5-31-50

Administrative Bulletin No. 57

SUBJECT: Application of Advance Payments

POLICY:

1. In those instances where borrowers do not notify the Rural Electrification Administration in writing at the time of remittance of an advance payment specifying the particular construction note or notes to be credited with such payment, the following accounting procedure shall apply:

The remittance shall be applied to the oldest outstanding note except that such payment shall not be so applied in sufficient amount to pay such note in full. In the event the advance payment is of sufficient amount to pay in full the oldest outstanding note, then all or a part of such amount shall be applied to the next oldest note outstanding.

2. All or a part of advance payments credited to a construction note may be transferred to another construction note, or an installation note, in order to avoid or eliminate default.

RESPONSIBILITY AND PROCEDURE:

The Finance Division is responsible for the execution of policy set forth in this bulletin.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Advance Payments: Application of
Application of Advance Payments
Payments: Application of Advance

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 58

SUBJECT: Announcement of the Approval of a Loan

POLICY:

1. Except as the Administrator may otherwise direct in specific instances, no announcement or expression of an opinion, directly or indirectly, shall be made to any individual not a member of the staff of the Rural Electrification Administration concerning the prospective approval or disapproval of a loan to a borrower unless and until the Administrator shall have formally approved or disapproved such loan.
2. The restrictions covered by this policy are not to be construed to prevent or restrain appropriate communications between REA and a borrower with respect to negotiations for such a loan.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities and general procedure for activities concerned with the announcement of the approval of a loan shall be as follows:
 - a. When an Administrative Order approving a loan has been signed by the Administrator and serially numbered, the Applications and Loans Division and the Information Services Division will be notified by the Office of the Administrator.
 - b. The Applications and Loans Division upon such notification shall deliver to the Information Services Division a copy of the Administrative Order and of the loan recommendation and to other appropriate offices a copy of the Administrative Order.

- c. The Information Services Division shall, upon receipt of the Administrative Order, arrange for the publication and release of the appropriate information and shall promptly notify the Office of the Administrator when other notifications, including the telegram to the borrower are ready for release.
- d. The Office of the Administrator will inform the Applications and Loans Division of the time set for release.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Announcement of the Approval of a Loan
Approval of a Loan, Announcement of
Loan, Announcement of the Approval of a

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 59

SUBJECT: Applications for Member Extension Loans

POLICY:

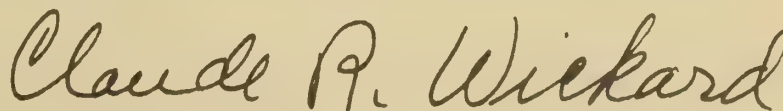
It is the policy of the Rural Electrification Administration to require that applications for loans to finance increased capacity of service drops and transformers for individual members and the construction of extensions of not more than 5,000 feet of single phase line to lines of a borrower existing at the time the application is approved, be supported by a Board resolution stating the purpose of the application, the estimated number of persons to be served, and that no funds have been provided in prior loans for the same extensions. Borrowers will not be requested to submit either a map or a tabulation of persons with such applications unless unusual circumstances indicate the need thereof.

RESPONSIBILITY AND PROCEDURE:

The Applications and Loans Division is responsible for:

- a. informing borrowers of policy set forth in this Bulletin;
- b. determining whether unusual circumstances are such as to require the submission of maps and tabulations in accordance with policy; and
- c. processing such loan applications in accordance with Administrative Bulletin No. 65 (LS-2).

This Bulletin supersedes all other existing instructions in conflict with its provisions.


Administrator

Index:

Applications for Member Extension Loans
Member Extension Loans: Applications for
Extension Loans: Applications for Member
Loans: Applications for Member Extension

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 60

SUBJECT: Off-Peak Water Heater or Other Load Control Equipment

POLICY:

1. The Rural Electrification Administration does not recommend, generally, the purchase and installation, by its borrowers, of off-peak water heater or other load control equipment. If, however, any particular borrower determines through studies that the proposed installation of such equipment is economically beneficial or advantageous to it, loans for such purpose will be considered by REA on the same basis as other loans pursuant to Section 4 of the Rural Electrification Act of 1936, as amended, provided that: (1) the type of equipment proposed to be installed has been accepted by REA Technical Standards Committees; and (2) the proposed installation has received the prior written approval of REA.
2. The requirements stated in paragraph "1" above (in respect of eligibility of REA loans for such purpose) shall constitute the REA requirements also where the installation is intended to be accomplished with the borrower's general funds -- with or without expectation of reimbursement of such general funds through funds made available to the borrower under a subsequent REA loan.

PROCEDURE:

1. Responsibilities for activities with respect to execution of policy relating to off-peak water heater or other load control equipment shall be as follows:
 - a. Applications and Loans Division: The Applications and Loans Division shall be responsible for recommendations to the Administrator for loans for water heater or other load control equipment facilities based on borrowers' proposals approved by the Administrator.

b. Engineering Division: For distribution-type borrowers, the Engineering Division shall be responsible for:

- (1) Guidance and assistance to borrowers in engineering appraisal of the types and costs of possible water heater or other load control equipment to meet borrowers' particular requirements.
- (2) Estimating loan requirements for water heater or other load control equipment.
- (3) Determination whether the proposed installation of off-peak water heater or other load control equipment will be economically beneficial or advantageous to the borrower. If the proposal does not meet these requirements, the borrower will be notified.
- (4) Notification of approval to borrowers after approval by the Administrator.
- (5) Approval of all proposals as to technical adequacy and costs for installation of specific water heater or other load control equipment.
- (6) Reviewing costs or purchase orders as to agreement with approved proposals and recommending advance of funds to Finance Division.
- (7) Guidance and assistance to borrowers on the physical location and installation of water heater or other load control equipment.
- (8) Guidance and assistance to borrowers in the technical operation and maintenance of water heater or other load control equipment.
- (9) Technical staff assistance to the Power Division on problems of water heater or other load control equipment for power-type borrowers.

c. Management Division: For distribution-type borrowers, the Management Division shall be responsible for:

- (1) Recommendations to the Administrator, on the basis of the Engineering Division's study for technical adequacy and cost, and after consultation with the Applications and Loans Division and the Office of the Solicitor (and Power Division when the borrower is a member of a power cooperative or operates generation facilities) for approval of the proposals for installation of off-peak water heater or other load control equipment.
- (2) Recommendations to the Administrator authorizing borrowers to use general funds, or general funds in anticipation of loan funds, for financing water heater or other load control facilities.
- (3) Concurrence in borrower's request for water heater or other load control equipment where loan funds are requested.

- (4) Advice to borrowers relative to insurance coverage necessary for the installation and operation of water heater or other load control equipment.
 - (5) Advice to borrowers relative to off-peak rates for water heating.
- d. Power Division: The Power Division shall be responsible for:
- (1) The pertinent activities assigned to the Engineering and Management Divisions as outlined above, for power-type borrowers, in the event facilities of a power-type borrower are utilized in providing control of water heaters or other load control equipment.
 - (2) Staff assistance to other divisions pertaining to problems of power supply.
- e. Technical Standards Division: The Technical Standards Division shall be responsible for:
- (1) Investigation of new developments in water heater or other load control equipment relative to its application to rural electrification, and stimulation of the development of water heater or other load control equipment to meet the specific needs of the rural electrification program.
 - (2) Preparation of general plans and specifications and lists of types of equipment for submission to the Technical Standards Committees for acceptance.
 - (3) Consulting service, upon request, to the other divisions on special or unusual water heater or other load control problems.
- f. Finance Division: The Finance Division shall be responsible for:
- (1) Verifications of accuracy of documents essential to advance of funds.
 - (2) Review and certification of requisitions and advance of funds.
 - (3) Establishment of accounting procedure for guidance of borrowers and auditing of borrowers' records.
2. The accompanying process chart depicts the document-flow to be followed by the divisions.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude B. Wickord

Index:

Administrator

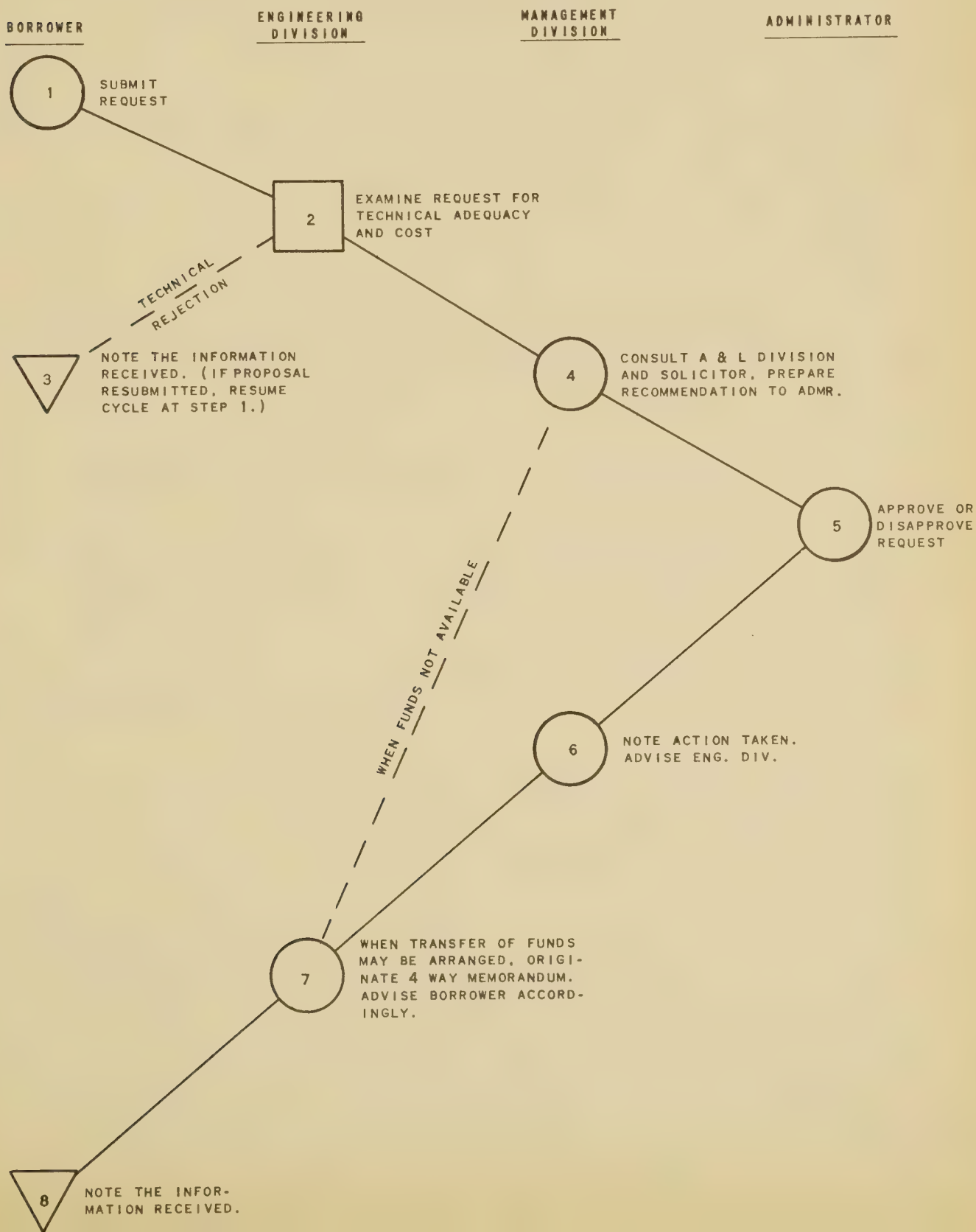
Load Control Equipment: Off-Peak Water Heater or Other
Off-Peak Water Heater or Other Load Control Equipment
Water Heater or Other Load Control Equipment: Off-Peak

PROCESS CHART

PROCEDURE FOR REVIEWING REQUESTS FROM DISTRIBUTION TYPE BORROWERS FOR WATER HEATER AND OTHER LOAD CONTROL EQUIPMENT. (FOR POWER TYPE BORROWERS, SUBSTITUTE POWER DIVISION FOR ENGINEERING DIVISION AND MANAGEMENT DIVISION)

AUTHORITY: Administrative Bulletin No. 60 dated May 17, 1950

(ONLY MAJOR OPERATIONS DIAGRAMMED)



UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 61

SUBJECT: Generation Loans and Transmission Loans

POLICY:

1. The Rural Electrification Administration will make loans to finance the initial construction of generation facilities and transmission facilities only under the following conditions:
 - a. Where no adequate and dependable source of power is available in the area to meet the borrower's needs, or
 - b. Where the rates offered by existing power sources would result in a higher cost of power to the borrowers than the cost from facilities financed by REA.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Generation Loans and Transmission Loans
Loans: Generation Loans and Transmission
Transmission Loans: Generation Loans and

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 62

SUBJECT: Loans Involving Provisions for the Acquisition of
Existing Electric Facilities

POLICY:

1. General Considerations

- a. Loans pursuant to Section 4 of the Rural Electrification Act of 1936, as amended, may be made by the Rural Electrification Administration under certain limited circumstances, to finance the acquisition by borrowers of existing electric facilities.
- b. REA will not make loans to finance acquisitions merely for the purpose of enlarging the borrowers' system or activities. Acquisitions will be financed only if the acquired facilities, as part of an integrated system, are a means of service to persons in rural areas who are not receiving central station service. Acquisition loans may be made to cover the amount of the purchase price, necessary rehabilitation and integration of the acquired facilities, and the new construction necessary to provide adequate service to the unserved consumers dependent on the facilities.
- c. In this Bulletin, and in REA practice, any loan providing, in part, for an acquisition of existing electric facilities by the borrowers is referred to as an "acquisition loan." The properties resulting from the merging of a borrower's existing system, acquired facilities and new construction made possible by the acquisition is herein referred to, as the "combined system."
- d. With respect to acquisition loans, the standards of feasibility, the dealings with applicants, the procedures for obtaining administrative approval, and the consummation of a loan transaction after approval, are similar to those applicable to any other type of REA loan. This statement,

therefore, is limited to matters that are peculiar to acquisition loans, with particular reference to studies of the properties proposed to be acquired, standards of valuation, integration into the combined system and special problems incident to the operation of such system. In these studies, the primary consideration is the value and utility of the proposed acquisition to the particular borrower, having reference to the special problems of adequate rural electrification in the area of the combined system.

- e. The docket accompanying the recommendation to the Administrator for the making of an acquisition loan shall contain, in addition to the data contained in all loan dockets, pertinent evidence to support the conclusion that the proposed acquisition is in fact incidental and contributory to the larger purpose of providing service to unserved persons in rural areas or otherwise in accordance with the statutory purpose.

2. Consideration of Acquisition Loan Applications

The consideration of each acquisition loan application shall include, without limitation, the studies by REA and the submission of data by the borrower, specified hereinafter in subparagraphs "a" to "g".

- a. Past Performance. There shall be obtained, insofar as available, and analyzed, data with respect to: (1) construction history; (2) revenue records; (3) operating records, including cost allocations, depreciation and maintenance policies, accounting methods of the seller, etc.
- b. Prior Data on Valuation. There shall be obtained, and analyzed, any available valuation studies made or caused to have been made by the seller or any predecessor in title or any State or Federal regulatory commission with respect to the properties proposed to be acquired.
- c. Field Study. There shall be made, either by the REA staff or by an independent engineer employed by the borrower and whose qualifications for the purpose are

approved by REA, a field study and inspection of the properties proposed to be acquired with particular attention to: (1) the condition of the properties, including the percentage of condition of the various parts thereof; (2) cost estimates and recommendations with respect to rehabilitation, integration and salvage; and (3) the organization, staffing, and operating practices of the existing properties including charts, and qualifications and experience records of key personnel, existing status of service contracts, and consultant personnel regularly retained; and (4) specific notation and recommendations with respect to any special problems incident to the properties or the operation thereof.

- d. Feasibility of New Extensions and Other Facilities. The feasibility of new extensions and other facilities which will form a part of the combined system shall be determined upon the basis of the feasibility of the combined system by the application of the same standards which apply in respect to all loans pursuant to Section 4 of the RE Act.
- e. Operation of the Combined System. A study shall be made of the estimated revenues and operating costs of the combined system with particular attention to problems peculiar to the acquired properties. Studies shall be made of the effect of the proposed acquisition and resulting new construction on such matters as sources of power and wholesale rates for purchased power. A study shall be made of such plan as the borrower may submit with respect to the operating personnel with which it proposes to operate the combined system and REA shall make such suggestions as it may think proper in this respect.
- f. Rates and Membership. Based upon a careful study of the rates in effect on the acquired property and the borrower's existing system, and a careful study of the combined system by the REA staff in close collaboration with the borrower, there shall be prepared a schedule of proposed rates. This schedule shall reflect the objective of equalizing rates at the lowest level consistent with prudent conduct of the affairs of the borrower on a non-profit basis and the rendering of continuous and efficient electric service to its consumers.

- g. For distribution borrowers, a definite program to be followed by the borrower with respect to obtaining signed applications for membership from all prospective consumers of the combined system, consistent with applicable law, shall be agreed upon and approved. Such program shall include an endeavor by the borrower to sign up as members all persons receiving service from the acquired facilities. This is important both to the consumer, who thereby receives the benefits resulting from such membership, and also to the borrower, because of the resulting effect on policies of operation as a cooperative. Under REA policy, however, no consumer on the acquired properties shall be deprived of electric service through failure to become a member of the borrower.

3. Standards of Valuation

- a. Just as it is true in other aspects of the REA program, all costs which are payable from the proceeds of an REA loan are scrutinized and determined with care in order that all such costs shall be kept at a minimum, consistent with the goal of area coverage. Where the property proposed to be acquired consists of a combination of different types of facilities (distribution, transmission, generation, etc.) consideration shall be given to the establishment of an equitable allocation of the purchase price among the several types of facilities. Where the value of any proposed acquisition may be adversely affected by failure of the power supplier to maintain adequate service during the transition period, consideration shall be given to making all possible provision for alleviation of the situation. Although all elements of value are important, the action of REA, in approving or disapproving a proposed purchase price, shall be governed chiefly by the following considerations: (1) the utility of the acquired facilities to the particular borrower in reaching unserved persons, solving problems of power supply and serving other special needs of an adequate rural electrification program in the area; (2) estimated net operating revenues of the combined system; (3) ratio of these net operating revenues to the total investment represented by the combined system; and (4) the present fair market value of the facilities proposed to be acquired. REA, in approving or disapproving such price in connection with an acquisition loan, must, of course, be

assured that the price at which the facilities are proposed to be acquired is not in excess of the maximum price which in the light of the studies referred to above will result in such combined system being feasible under the standards prescribed in Section 4 of the RE Act.

- b. In this manner the maximum value to the borrower of the facilities proposed to be acquired shall be established. If the negotiated price exceeds the value of the facilities to the borrower, determined by REA under the policies described herein and by means of appropriate implementing procedures, the loan application shall not be approved.

4. (Continued on page 6.)

4. Acquisition of Securities

It is recommended that any acquisition be consummated by the borrower through the direct purchase of physical facilities - rather than through the purchase of securities and the subsequent conversion of such "ownership through stock control" into direct ownership of the physical facilities by the borrower. The former course should be followed where such can be accomplished with due regard to such practical considerations as (a) ability of the borrower to obtain agreement by the seller to such a method; (b) relative purchase prices under the two methods; etc. In proper cases, however, where the acquisition of securities is a mere conduit of title in respect of the acquisition of desired physical facilities, and the Applications and Loans Division determines, with the approval of the Administrator, that the acquisition of facilities through the indirect method of the acquisition of securities is preferable in the light of the REA program objectives, such procedure is authorized, subject to clearance of the factual situation with the Solicitor's Office for conformance with applicable legal requirements. In each such case, the feasibility studies by the Applications and Loans Division shall show due regard for: (a) the anticipated respective periods of ownership by the borrower of securities and of all physical facilities, respectively; and (b) other pertinent factors such as tax and other liabilities (actual or contingent) which may be involved. Wherever possible, the acquisition of securities shall be substantially simultaneous with the dissolution of the acquired corporation and the consequent acquisition of physical facilities.

5. Assistance to Borrowers

- a. In order to assure that all steps taken in connection with a proposed acquisition are in conformity with established policy and procedure, and that REA may be more assured in respect of the Government's security and the feasibility of the proposed loan than would be possible from the mere documentary record, representatives of REA may assist borrowers to the extent deemed necessary in dealings with prospective sellers; in pertinent regulatory body or other hearings; and in other matters incident to consummation of the transaction.

- b. REA shall assist the borrower in determining the adjusted net purchase price of assets acquired and liabilities concurrently assumed by the borrower in accordance with stipulations contained in the sales agreement. When necessary, REA shall assist the borrower in determining the original cost of electric properties acquired by the borrower, and in making distribution of such costs to capital and other accounts on the borrower's books in order to assure proper records in respect of such properties mortgaged or pledged as security for the Government's loan. REA may, when necessary, require the borrower to provide a quantitative assembly inventory and appraisal of the remaining useful life of the acquired facilities, including, in appropriate instances, estimates of original construction costs of assemblies. The acquisition adjustment account (100.5) pertaining to any acquisition shall be broken down among distribution, transmission, generation and other accounts as may be recommended by REA.
- c. Such rehabilitation, extensions, retirements, or other alterations as shall have been found necessary in connection with acquired facilities shall, respectively, be accomplished as soon as is practicable. Representatives of REA shall render engineering and other assistance necessary to assure integration of acquired properties into the borrower's system, in conformity with REA-approved plans and specifications designed to provide an efficient combined system and to safeguard the Government's loan.

RESPONSIBILITY AND PROCEDURE:

- 1. Applications and Loans Division: The Applications and Loans Division is responsible for the following activities:
 - a. Conduct field studies and determine whether system proposed for acquisition shall be recommended for REA financing, with primary consideration as to whether the acquired facilities, as part of an integrated system, are a means of extending service to unserved persons. Render assistance to borrowers in their negotiations with sellers, on request of the borrowers.

- b. Review contracts between borrower and seller for adequacy and propriety of provisions in the proposed transaction. Make recommendation to the Administrator regarding acquisition loan.
 - c. Coordinate activities of the various REA divisions preparatory to actual transfer of properties, giving due advance notice of the closing date, as well as relations with officials of other Government agencies, State regulatory bodies, public service commissions, and seller's representatives.
 - d. Notification to the Finance Division, in advance, of the closing date in order that the latter Division may determine the appropriate action to be taken with respect to review of the books and determination of the status of accounts. Also, on a selective basis as required, request Engineering Division to do pre-loan engineering work.
2. Engineering Division: The Engineering Division is responsible for the following activities with respect to acquisitions by distribution-type borrowers (except generation):
- a. Where all facilities are dismantled, and materials of value are salvaged, prepare in detail a nut and bolt inventory of new and salvaged material in stock with complete transformer and meter records.
 - b. Where a part of the facilities is dismantled and materials of value are salvaged, with the remaining facilities kept in operation, prepare the same data as in 2a above. In addition, provide a map of the acquired facilities and an inventory of the entire property on an assembly unit basis.
 - c. Where all facilities are in operating condition and are kept in operation, prepare the same data as in 2b above, excluding the nut and bolt inventory of material items.
 - d. Where all facilities are dismantled and they have no value, or the salvage is not realized by the borrower, prepare a statement to that effect, or that the materials dismantled are retained by the seller and that the purchase price represents consideration paid for the privilege of acquiring and serving the area.

- e. When requested by Applications and Loans Division, perform pre-loan engineering work.
3. Management Division: The Management Division shall be responsible for following the same procedure for loans involving acquisition of existing facilities as for newly constructed properties, as outlined in the Administrative Bulletin No. 65 (LS-2). For distribution-type borrowers, the Management Division shall make a study of the organization, staffing, and operating practices of the existing properties including charts, and qualifications and experience records of key personnel, existing status of service contracts, and consultant personnel regularly retained.
4. Power Division: For power-type borrowers, and for generating facilities of distribution-type borrowers, the Power Division shall be responsible for the applicable engineering and management activities as outlined in paragraphs 2 and 3 above.
- a. Determine condition of the properties. Prepare power cost study and recommend maximum price of generation and transmission facilities to Applications and Loans Division.
 - b. For all borrowers, complete pre-loan engineering work, including cost of power for combined system and advise Applications and Loans Division.
5. Finance Division: The Finance Division is responsible for the following activities:
- a. Determine the original cost, date of installation, and remaining useful life of the assembly units in the event that such data are available from the records of the predecessor for the following:
 - (1) Where a part of the transmission, distribution and generation facilities is dismantled and materials of value are salvaged, and the remaining facilities are kept in operation.
 - (2) Where all transmission, distribution, or generation facilities are in operating condition and are kept in operation.

- b. Advise and assist borrowers on all accounting matters.
- c. Upon notification by the Applications and Loans Division, determine the appropriate action to be taken in reviewing the books and determining the status of accounts in the acquisition transaction.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Loans Involving Provisions for the Acquisition of
Existing Electric Facilities
Acquisition; Loans Providing for Acquisition of
Existing Electric Facilities

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

LPRP-3 (rB2)
5-31-50

Administrative Bulletin No. 64

SUBJECT: Loans for Replacements of Borrowers' Property and
System Improvements

POLICY:

1. Loans, except as provided herein, will not be made for the purpose of replacing units of property with like units made necessary because of normal depreciation and wearing out of facilities, except for any excess cost of the new units over the cost of the units being replaced. If replacement units are different from the units being retired, the Administrator will consider applications for funds to finance any increase in the cost of such units over the cost of the units being replaced. Replacements of property made necessary by abnormal conditions, such as severe storms, may be financed with loan funds, depending on the circumstances in each particular case.
2. Loans may be made to cover cash requirements for system improvements.
 - a. These cash requirements include the cost of removal as well as the labor, material, and other construction costs to replace the units of property removed. Such costs will be reduced by subtracting the current value of any replaced material returned to inventory.
 - b. The term "system improvements" as used in this bulletin is defined as the changes or additions in electric plant facilities to improve the quality of electric service or increase the quantity of electric power available to the consumers. This includes any approved construction work for the purpose of alteration, modification, or increase in capacity of the distribution, transmission and generation facilities of an REA borrower. Such construction may be necessitated by a change in load growth or other circumstances which require re-design of the borrower's physical plant layout to meet new requirements for rendering more efficient, reliable, and adequate service.

RESPONSIBILITY AND PROCEDURE:

1. It is the responsibility of the Engineering Division for distribution-type borrowers to:
 - a. inform borrowers of the above policies;
 - b. execute the above policies;
 - c. advise the Applications and Loans Division as to the need for and loan requirements of system improvements in accordance with Administrative Bulletin No. 65 (LS-2);
 - d. approve plans, contracts, construction and inventories for system improvements.
2. It is the responsibility of the Power Division for power-type borrowers to:
 - a. inform borrowers of the above policy;
 - b. execute the above policies;
 - c. advise the Applications and Loans Division of the need for and loan requirements of system improvements;
 - d. approve plans, contracts, construction and inventories for system improvements.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude A. Wickard

Administrator

Index:

Replacements: Loans for Replacements of Borrowers' Property and System Improvements.

System Improvements: Loans for Replacements of Borrowers' Property and

Loans for Replacements of Borrowers' Property and System Improvements.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 67

SUBJECT: Section 5 Loans (Exclusive of Loans for Refrigeration
Locker Plants)

POLICY:

1. General

- a. Loans under Section 5 of the Rural Electrification Act of 1936, as amended, shall be solely for the purpose of financing equipment, appliances, and installations for consumers receiving electric service from or to be served by borrowers which have received Section 4 Loans.
- b. Section 5 Loans shall be made only to borrowers that have received loans under Section 4, except where the borrower involved is not authorized, under applicable state law, to finance consumers' equipment. In instances where the borrower is not so authorized, loans will be made to any person, firm, or corporation supplying or installing wiring, appliances, or equipment, as specifically approved by the Administrator.
- c. The types of equipment, appliances and installations that may be financed by loans made pursuant to Section 5 shall be specified from time to time by the Administrator.

2. Wiring, Plumbing, and Electrical Equipment Eligible for Financing

- a. Manufactured wiring, plumbing, and electrical equipment which meets the minimum requirements established by any recognized national organizations such as the American Standards Association, Bureau of Standards, and professional engineering societies, or approved by recognized national testing organizations, such as Underwriters Laboratories, usually will be satisfactory for financing, pursuant to Section 5 of the RE Act.

- b. Any wiring, plumbing, or electrical equipment known to impair the quality of electric service on rural power systems, or that is otherwise inconsistent with good operating practices on such systems, shall not be financed through loans made pursuant to Section 5 of the Act and, in so far as REA receives such information, REA borrowers may be so advised.

3. Consideration of Applications for Section 5 Loans

- a. Before any loan is made, an application therefor must be prepared and submitted by the prospective borrower. Applications must indicate, among other things, the total amount of loan requested, the purposes for which the proposed loan will be used; and the estimated number of consumers to participate in the proceeds of the loan in respect of each such purpose, and must contain a resolution of the Board of Directors establishing a credit committee and stating its duties and responsibilities.
- b. All applications for such loans, when received by REA, shall be entered on a register of such applications - such register being maintained separately from that maintained for applications for loans under Section 4 of the Act. To the extent practicable, applications for loans shall be considered in the order in which received.
- c. Following examination of applications for loans, recommendations for loans may be made to the Administrator on the basis thereof provided they meet all requirements of the law. A recommendation to the Administrator for the making of a loan shall be accompanied by a docket summarizing the pertinent facts to support the conclusion that the security for the loan would be reasonably adequate and such loan would be repaid within the time agreed. Before any loan is made, a certificate shall be executed by the Administrator to the effect that he finds and certifies that in his judgment the security for the loan is reasonably adequate and such loan will be repaid within the time agreed. A budget shall be prepared in connection with loans showing the purposes for which made. Illustrative of these purposes are the following: wiring, plumbing, farm equipment, irrigation, home appliances.

4. Loans and Advances of Funds to Borrowers

- a. Funds shall be advanced on account of a loan only in accordance with the established loan budget and on the basis of a

properly executed requisition and voucher. Advances may be made on the basis of estimates of the amount required for Section 5 loan activities prior to securing of consumers' notes or contracts.

- b. Borrowers shall be required to deposit such advances in a special trust account to be drawn only for the purposes specified in the loan contract. Original receipts or other acceptable evidence of disbursement by borrowers of loan funds shall be available to REA. Borrowers shall periodically submit other information as the Administrator shall specify regarding the status of and transactions concerned with Section 5 loans.

5. Terms and Conditions

- a. Section 5 loans of the RE Act shall be made in accordance with the following terms and conditions:
 - (1) The minimum amount of any such loan shall not be less than \$10.00.
 - (2) The maximum amount of any such loans to one consumer borrower outstanding at any one time shall not exceed \$1,000 unless the REA borrower receives prior approval from REA for a larger amount.
 - (3) It is recommended that the down-payment on equipment to be financed be 20 percent of the installed price, but in no event less than 10 percent of the installed price.
 - (4) The repayment period for such loans shall not exceed 5 years.
 - (5) Repayments on such loans may be on a monthly, quarterly, semi-annual, or annual basis.
- b. These terms and conditions are subject to regulations of the Federal Reserve Board and other agencies governing consumer financing and credit transactions.

6. Consumer Notes and Contracts

- a. REA borrowers making use of the funds provided for by Section 5 of the RE Act shall have a well organized and satisfactory credit committee which shall be fully responsible for approving applications for loans to the borrowers' consumers. The

status of loans made for consumer appliance and equipment purchases shall be reviewed from time to time.

- b. Borrowers shall charge 4 percent interest per annum on the current unpaid balance on all consumer notes and contracts financed through Section 5 loans.
- c. Consumer notes or contracts covering appliances and equipment shall be endorsed by dealers on a recourse basis; for farmstead wiring and plumbing installations recourse shall not be required.
- d. Borrowers shall be permitted to retain the consumer notes and contracts, except in states where physical delivery is required, provided that the borrower stamps such notes and contracts immediately upon receipt thereof to indicate the lien of the Government. In states requiring physical delivery, the notes and contracts shall be delivered by the borrower to its attorney, who shall receive and hold them as an agent for the Government. In all cases, the project attorney shall examine consumer notes and contracts and periodically render such opinions as may be required by REA as to the validity of the obligations and the Government's lien.
- e. Borrowers shall use such forms of consumer contracts and notes as shall be required by REA.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for the activities concerned with execution of these policies shall be as follows:
 - a. Applications and Loans Division: The Applications and Loans Division shall be responsible for:
 - (1) initiating policies and procedures with respect to the terms and conditions of financing and the classes of equipment to be financed and making recommendations to the Administrator in connection therewith, coordinating, in that respect, the recommendations of other REA staff members and divisions;
 - (2) assistance to borrowers with respect to the formulation and application of financing plans and policies, including the establishment of Credit Committees;
 - (3) receipt and review of applications for loans and making recommendations with respect to loans;

- (4) getting the loan documents signed;
- (5) establishment of loan budgets to show categories for which funds are loaned;
- (6) review of borrowers' reports on consumer loans, particularly with reference to the number, amounts and types of loans; and
- (7) approval or disapproval of a borrower's request for an advance of funds and informing the Finance Division accordingly.

b. Management Division: The Management Division shall be responsible for:

- (1) making analysis of delinquencies of consumer installment accounts in its review of borrowers' monthly reports;
- (2) assistance to borrowers with respect to the over-all management aspects of the program, particularly concerning the preparation for and maintenance of records, the collection of consumer accounts, delinquent consumer accounts, standards with respect to reserves for uncollectible consumer obligations, and the processing of payments by the consumer to the borrower and the payment of the loan by the borrower;
- (3) approval of the "write-off" of uncollectible consumer obligations; and
- (4) providing information currently to the Applications and Loans Division regarding the application of the borrowers' financing plans and policies, particularly with respect to delinquencies in payments of consumer installment obligations.

c. Finance Division: The Finance Division shall be responsible for:

- (1) review and certification of requisitions and advances of funds;
- (2) maintenance of REA records of loan transactions with borrowers;
- (3) establishment of accounting procedures for assisting borrowers and auditing of borrowers' records; and

- (4) informing the Applications and Loans and Management Divisions regarding delinquencies of the borrowers' payments with respect to loans.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Consumer Loans: Terms and Conditions for Wiring, Plumbing, and
Electrical Equipment Eligible for Financing through Section 5
Loans

Electrical Equipment Eligible for Financing through Section 5 Loans
Loans, Section 5 (Exclusive of Refrigeration Locker Plants)

Plumbing Equipment Eligible for Financing through Section 5 Loans
Section 5 Loans, (Exclusive of Refrigeration Locker Plants)

Wiring, Plumbing, and Electrical Equipment Eligible for Financing

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 68

SUBJECT: Loans for Refrigeration Locker Plants

POLICY:

1. Rural Electrification Administration borrowers, whose principal function is to supply rural people with electric power, should be strongly urged not to develop or establish any new locker plants.
2. Locker plants are not an integral part of a power system and are not essential to its operation; they are simply one type of consumer of electricity so far as the REA program is concerned. Experience indicates that the operation of a locker plant involves the processing, preparation, packaging, and even marketing of many types of food which require specialized handling by trained personnel. REA does not have sufficient specialists and facilities to guide borrowers in an enlarged program of this nature.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Loans for Refrigeration Locker Plants
Locker Plants; Loans for Refrigeration
Refrigeration Locker Plants; Loans for

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 69

SUBJECT: Budgetary Control and Advance of Section 4 Loan Funds

POLICY:

Funds shall be advanced in accordance with the loan budget approved for each borrower. Advances shall be made only for approved purposes. As recommended by the appropriate divisions, the loan budget may be revised when necessary to take care of changes in borrower's needs or in original budget estimates.

RESPONSIBILITY AND PROCEDURE:

1. Control of Advances of Loan Budget.

- a. Divisional responsibilities for the control of necessary activities preliminary to the advance of loan funds to borrowers by the Finance Division in accordance with the loan budget are shown in the following table.

<u>Item</u>	<u>Distribution-type borrowers (excluding generation facilities)</u>	<u>Power-type borrowers and generation facilities of Distribution- type borrowers</u>
(1) Construction	Engineering Division	Power Division
(2) Legal Fees	Office of the Solicitor	Office of the Solicitor
(3) Misc. Legal	Office of the Solicitor ^{1/}	Office of the Solicitor ^{1/}
(4) Engineering	Engineering Division	Power Division
(5) Pre-loan	Applications and Loans Division ^{1/}	Applications and Loans Division ^{1/}
(6) Easements	Applications and Loans Division ^{1/}	Applications and Loans Division ^{1/}
(7) Purchase of Right-of-Way	Engineering Division	Power Division
(8) General Overhead	Management Division ^{1/}	Power Division ^{1/}
(9) Equipment	Engineering Division or Management Division ^{2/}	Power Division

<u>Item</u>	<u>Distribution-type borrowers (excluding generation facilities)</u>	<u>Power-type borrowers and generation facili- ties of Distribution- type borrowers</u>
(10) Power and Tele- phone Agreement	Engineering Division	Power Division
(11) Power-use Activities	Applications and Loans Division	- - -
(12) Trustee Fees	Office of the Solicitor	Office of the Solicitor
(13) Building Sites	Management Division	Power Division
(14) Headquarters and Warehouse facilities	Engineering Division or Management Division ^{3/}	Power Division
(15) Electric Plant purchased	Applications and Loans Division and Engineering Division ^{4/}	Applications and Loans Division and Power Division ^{4/}
(16) Service En- trances	Applications and Loans Division	- - -
(17) Material	Engineering Division	Power Division
(18) Labor and Other	Engineering Division	Power Division

Note 1. Advances may be made by the Finance Division within the limits of the established budget without specific action by the division responsible.

Note 2. All action involving equipment used in connection with construction or technical operations and maintenance purposes including communication equipment shall be the responsibility of the Engineering Division. All action involving other equipment shall be the responsibility of the Management Division.

Note 3. The Engineering Division shall be responsible for all action involving construction concerned with the building or rehabilitation of structures. The Management Division shall be responsible for action involving purchase of headquarters and warehouse facilities.

Note 4. The Applications and Loans Division shall be responsible for approval of the adjusted cost. The action involving the rehabilitation shall be the responsibility of the Engineering Division or Power Division as applicable.

b. Finance Division: The Finance Division is responsible for exercising control of the loan budget to the extent of:

- (1) Informing borrowers as to the status of the established budget; giving notification and explanation of budget changes; and explaining the steps to be taken to obtain budget revisions.

- (2) Providing factual information through the medium of field audits to be used as a basis for establishing and recommending changes of budget items.
- (3) Recommending budget changes indicated, as necessary, based on information from borrowers, field audits, and other sources.
- (4) Providing information, as requested, for use of other divisions in compiling loan data.
- (5) Maintaining records and files with respect to established budgets and adjustments thereto.

2. Adjustments of Loan Budgets.

Funds may be transferred among budget items to meet the borrower's requirements provided that such transfers are concurred in by the Applications and Loans, Engineering, Finance, and Management Divisions for distribution-type borrowers (excluding generation facilities) and by the Applications and Loans, Finance, and Power Divisions for power-type borrowers and generating facilities of distribution-type borrowers. In the event a division does not concur in a budget transfer, it will provide a memorandum to the Finance Division stating the reasons for such action. Where a difference of opinion exists between divisions, the Finance Division shall arrange for a joint meeting of the divisions concerned. In the event no accord is reached, a complete report shall be prepared by the Finance Division and sent to the Administrator for a decision. Where any transfer of funds to generating facilities is made in the budget, the Applications and Loans Division shall give effect to the requirements of any Congressional directives that loans for generating purposes be reported to the Appropriation Committees of the Congress.

Exceptions to the general principles thus stated will be made under the following conditions:

- a. Where the transfer shifts funds from budget items for which legal clearance from the Office of the Solicitor is required (such as legal fees, payment of judgments, or matters involving special taxes) budget adjustments must also be submitted for concurrence of the Office of the Solicitor.
- b. Budget adjustments also must be cleared with the Office of the Solicitor and the Office of the Administrator in the cases:

- (1) Where the transfer effects a change of purpose which affects feasibility, or
 - (2) Where the transfer affects quality of service or ability of the borrower to render service or the service on which feasibility is based. In such instances, appropriate feasibility findings should be made by the Applications and Loans Division with concurrence of the Engineering or Power Division, as applicable, relative to the effect on the system if funds thus transferred are never restored. The determination thus made shall be a part of the budget transfer document.
 - (3) Where the change in purpose may raise a legal or policy question as to the permissibility of expenditure for the new purpose.
- c. Under the following situations, interdivisional concurrence of budget transfers is not required:
- (1) Where transfers between purposes or items concern only one division, and such adjustments do not alter the purpose of the loan, and where such transfer does not involve the considerations referred to in paragraph 2 b (2) above.
 - (2) Where the amount of money requested from the contingency item in the budget is \$500 or less, the Finance Division may make such transfer providing it has supporting documents or other written approval of the division responsible.

3. Advance of Loan Funds.

Examination, certification, approval and release of requests for funds to borrowers is the responsibility of the Finance Division. All requests for funds shall be examined by that division to ascertain that such requests are in accordance with the purpose of the loan and to determine that all necessary activities preliminary to the advance of funds as provided for in this Bulletin have been accomplished. The Finance Division shall consult with divisions responsible regarding requests for funds when such action appears necessary. For any budget item not covered in this Bulletin, the Finance Division shall request the Office of the Administrator to designate the division responsible.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Advance of Section 4 Loan Funds: Budgetary Control and
Budgetary Control and Advance of Section 4 Loan Funds
Four-Way Memoranda: Budgetary Control and Advance of Section 4
Loan Funds
Loan Funds: Budgetary Control and Advance of Section 4
Transfers: Budgetary Control and Advance of Section 4 Loan Funds

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 70

SUBJECT: Placing and Releasing of Stop Orders

POLICY:

Advances of loan funds to a borrower may be withheld by placing them under stop order, pending compliance with loan and security documents and related agreements, as specified by the Administrator.

RESPONSIBILITY AND PROCEDURE:

1. Stop Orders and Releases of Stop Orders

- a. The stop order (Form ADM 37) is a document used by the Rural Electrification Administration to direct the temporary withholding of all or part of the funds loaned to a borrower pending compliance with the condition or conditions specified in such stop order. The type and timing of the stop order may vary and consist of the following:
 - (1) A stop order which is made at the time of the loan and is made a part of the loan docket.
 - (2) A stop order prepared and distributed by the division initiating it, which is issued subsequent to the making of the loan halting further advances of loan funds. Such stop orders are of two types:
 - (a) Those which require the approval by the Applications and Loans, Engineering, Finance, and Management Divisions for distribution-type borrowers, and Power Division for distribution-type borrowers with generating plants and distribution-type borrowers who are members of power-type borrowers, and by the Applications and Loans, Finance, and Power Divisions for power-type borrowers, the Office of the Solicitor and the Administrator: and
 - (b) Those which are imposed directly by the Administrator over his signature.

- (3) Automatic stop orders consisting of specific covenants contained in the loan and security documents and related agreements. The stop order should set forth the particular funds under the stop order, the exact amount and the reasons for the action, and the conditions for the release of the stop order.
- b. The stop order may be lifted when the conditions causing it have been met or the situation has changed so that a stop order is no longer necessary. The "Release of Stop Order," (Form ADM-37A-R), is then prepared by the division which initiated the stop order and must be submitted for approval by all those who concurred in the placing of the stop order, and in any case, by the Office of the Solicitor and the Administrator.

2. Processing of Stop Orders.

- a. Applications and Loans Division: The Applications and Loans Division
 - (1) Shall initiate the stop order which is made at the time of the loan and is made a part of the loan docket, and forwarded to the Office of the Solicitor for legal clearance, and to the Administrator for signature.
 - (2) May initiate a stop order issued subsequent to the making of the loan.
 - (3) May consider the approval of the stop order initiated by another division.
- b. Engineering Division: The Engineering Division may:
 - (1) Recommend the placing of stop order to be made part of the loan and security documents and related agreements.
 - (2) Initiate a stop order issued subsequent to the making of the loan
 - (3) Consider the approval of the stop order initiated by another division for distribution-type borrowers.
- c. Management Division: The Management Division may:
 - (1) Recommend the placing of stop order to be made part of the loan and
 - (2) Initiate a stop order issued subsequent to the making of the loan
 - (3) Consider the approval of the stop order initiated by another division for distribution-type borrowers.

d. Power Division: The Power Division may

- (1) Recommend the placing of stop order to be made part of the loan documents
- (2) Initiate a stop order issued subsequent to the making of the loan
- (3) Consider the approval of the stop order initiated by another division, for power-type borrowers, distribution-type borrowers with generating plants, and distribution-type borrowers who are members of power-type borrowers.

e. Finance Division: The Finance Division

- (1) May recommend the placing of stop order to be made part of the loan document
- (2) May initiate a stop order issued subsequent to the making of the loan
- (3) May consider the approval of the stop order initiated by another division
- (4) Shall be responsible for the verification of budget amounts to be placed under stop order, retention of the balance under stop order, and maintenance of records with respect to releases of funds.
- (5) Shall be responsible for determining that all activities provided in this Bulletin are accomplished prior to approval of request by borrowers of the advance of loan funds.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Placing and Releasing of Stop Orders
Releasing of Stop Orders: Placing and
Stop Orders: Placing and Releasing of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 71

SUBJECT: Extension of Time of Payment of Interest or Principal
Pursuant to Section 12 of the Rural Electrification
Act of 1936, as Amended

POLICY:

1. Section 12 of the Rural Electrification Act, as amended, provides:

"SEC. 12. The Administrator is authorized and empowered to extend the time of payment of interest or principal of any loans made by the Administrator pursuant to this Act; Provided, however, That with respect to any loan made under Section 4, the payment of interest or principal shall not be extended more than five years after such payment shall have become due, and with respect to any loan made under Section 5, the payment of principal or interest shall not be extended more than two years after such payment shall have become due: And provided further, That the provisions of this section shall not apply to any obligations or the security therefor which may be held by the Reconstruction Finance Corporation under the provisions of Section 3."

2. In the execution of this Section of the Act, it is the policy of the Rural Electrification Administration to extend the time of payment of interest or principal only on the basis of a finding that such extension is necessary in order to enable a borrower to conduct its affairs in an efficient manner, render adequate service, and meet its total obligations to the Government within the time agreed. Accordingly, considerations shall be given only to requests for such extensions under the following circumstances:

- a. A borrower, because of delays in construction or other circumstances beyond its control, has been unable to achieve the revenues contemplated at the time the loan was made, or
- b. A borrower has incurred extraordinary losses, as through severe storms, floods, or fire, and an extension of the

time of payment of interest or principal is necessary in order to permit the borrower to reestablish its operations on a stable basis.

3. The time of payment of interest or principal may be extended under the circumstances set forth in Paragraph 2 above only where there is a finding that the borrower will be able thereby to meet its total obligations to the Government within the time agreed. Such finding shall be supported by calculations of estimated revenues, cash operating expenditures, amounts available to pay debt service, and debt service, for each fifth year during the remainder of, and the last year of, the loan period.
4. No extension of the time of payment of interest or principal, pursuant to Section 12 of the RE Act as amended, shall be made unless there is a finding that the margin between revenues and prudent cash operating expenditures (excluding interest and principal payments due) for each of the two fiscal years succeeding the date of the request for extension will be insufficient to meet the scheduled payments of interest and principal.
5. No extension of the time of payment of interest or principal, pursuant to Section 12 of the RE Act as amended, shall be made unless the borrower has received or has applied for the benefits of the so-called Pace Act (Title V of Department of Agriculture Organic Act of 1944), where applicable, except to the extent that the borrower is prevented by the State Law from obtaining such benefits.
6. Relief through the deferment of payments of principal and interest granted in accordance with the conditions outlined above shall be based on a finding that the Government's security will not be adversely affected and shall be effected by the extension of payments on any note, or notes, as follows:
 - a. Generally, deferments will be granted for a period of 2, 3, 4, or 5 years on payments of interest or principal required after the date of the document effecting the extension.
 - b. In addition to the deferments provided in paragraph a. above, deferment of payments then in default for not more than 5 years after date of the default shall be made only on a showing that the present organization and management of the borrower gives assurance of continued prudent management, considering the fact that the creation of a feeling of security in the borrower may thereby cause it to exercise an even higher degree of managerial ability.

7. In the case of any deferment, the balance of the principal and all interest, including the additional interest which will accrue as a result of the deferment, but not including interest on interest resulting from the deferment, will be repaid in equal quarterly installments until final maturity.
8. The final maturity will be that provided in the original note, or, in the note as extended by the Pace Act.
9. All requests for action under Section 12 heretofore recommended, but not finally acted on, have been suspended and will be acted on only after approval of supplemental recommendations made in accordance with the provisions of this Bulletin.

RESPONSIBILITY AND PROCEDURE:

1. Responsibilities for the execution of policy concerning extension of the time of payment of interest or principal pursuant to Section 12 of the RE Act, as amended, are as follows:
 - a. Management Division: With respect to distribution type borrowers, the Management Division shall be responsible for:
 - (1) Advice to borrowers on policy concerning extensions of the time of payment of interest or principal pursuant to Section 12.
 - (2) Receipt of requests from borrowers for such extensions.
 - (3) Analysis of such requests to determine their eligibility for consideration.
 - (4) Preparation of findings on which a determination may be made as to whether such an extension is necessary in order to enable a borrower to conduct its affairs in an efficient manner, render adequate service, and meet its total obligations to the Government within the time agreed. Such findings shall include the following calculations which shall be concurred in by the Applications and Loans Division:
 - (a) Calculations of estimated revenues, cash operating expenditures, amounts available to pay debt service, and debt service, for each fifth year during the remainder of, and the last year of, the loan period.

- (b) Calculations of the margin between revenues and prudent cash operating expenditures (excluding interest and principal payments due) for each of the two fiscal years succeeding the date of the request for an extension.
 - (5) Recommendations to the Administrator, after consultation with Applications and Loans Division, Engineering Division, Power Division, and Finance Division, for the approval of requests for the extension of the time of payment of interest or principal. Such recommendations shall include:
 - (a) Statement as to eligibility for extension.
 - (b) Reasons for recommendations and results to be obtained.
 - (c) Terms of extension being recommended, including:
 - 1. The period of deferment -- 2, 3, 4, or 5 years -- recommended for payments of interest or principal after the date of the documents effecting the recommended extension.
 - 11. Deferment recommended for any payment then in default.
 - (d) Statement as to consultation with or concurrence of other Divisions and that the Office of Solicitor has no legal objections to the recommendation.
- The recommendations shall be accompanied by (1) the findings as set forth in paragraph 4 above and (2) a statement from the Office of Solicitor that there are no legal objections to the recommendations.
- (6) Advice to Administrator on requests for extension of time of payment of interest or principal that are not recommended for approval with reasons therefor.
 - (7) Inform the Finance Division of all extensions of the time of payment of interest or principal approved pursuant to Section 12.

- b. Power Division: With respect to power type borrowers, the Power Division shall be responsible for the same activities as stated in paragraph 1-a (1 through 7) above.
- c. Applications and Loans Division: The Applications and Loans Division shall on request assist the Management or Power Divisions on recommendations to the Administrator for the approval of requests for the extension of the time of payment of interest or principal. The concurrence of the Applications and Loans Division shall be required for the following calculations:
 - (1) Calculations of estimated revenues, cash operating expenditures, amounts available to pay debt service, and debt service for each fifth year during the remainder of, and the last year of, the loan period.
 - (2) Calculations of the margin between revenues and prudent cash operating expenditures (excluding interest and principal payments due) for each of the two fiscal year succeeding the date of the request for an extension.
- d. Engineering Division: The Engineering Division shall on request assist the Management or Power Divisions on recommendations to the Administrator for the approval of requests for the extension of the time of payment of interest or principal.
- e. Finance Division: The Finance Division shall on request assist the Management or Power Divisions on recommendations to the Administrator for the approval of requests for the extension of the time of payment of interest or principal. The Division also shall be responsible for:
 - (1) Notifying borrowers of changes in repayment schedules occasioned by extensions made pursuant to Section 12.
 - (2) Maintain a central record of all extensions made pursuant to Section 12.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Deferment of Payment of Interest or Principal Pursuant to Section 12
of the Rural Electrification Act of 1936, as Amended
Extension of Time of Payment of Interest or Principal Pursuant to
Section 12 of the Rural Electrification Act of 1936, as Amended
Loans: Extension of Time of Payment of Interest or Principal Pursuant
to Section 12 of the Rural Electrification Act of 1936, as Amended
Payment of Interest or Principal Pursuant to Section 12 of the Rural
Electrification Act of 1936, as Amended: Extension of Time of
Section 12 of the Rural Electrification Act of 1936, as Amended:
Extension of Time of Payment of Interest or Principal Pursuant to

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 72

SUBJECT: Review, Processing and Distribution of Informational
Material

POLICY:

1. All informational material of the Rural Electrification Administration shall conform with the policies and practices of REA, the Department of Agriculture and the Federal Government, and its issuance shall be in the public interest.
2. The term "informational material" is defined to mean and include printed and processed material, regardless of form, with respect to or involving REA, which is intended or will be available for public reading or use, developed in whole or in part by a member (or members) of the REA staff in the official conduct of his work. Such material includes, but is not necessarily limited to, news releases, radio material, magazine articles, addresses or other official public speeches, material for the use of a member or committee of the Congress or any Federal or other governmental official or agency, and memoranda or similar material duplicated for general distribution to REA borrowers. Informational material also includes materials developed by outside sources if intended for publication by or for REA. Informational material does not include material prepared exclusively for the use or guidance of members of the REA staff, nor does it include REA outgoing communications intended only for the information, use and guidance of the particular addressee.

RESPONSIBILITY AND PROCEDURE:

1. Review

- a. In furtherance of the above policy, each piece of informational material shall be approved by the Administrator before it is published or otherwise distributed, except as the Administrator may otherwise direct in specific

instances or with respect to specific categories and except as otherwise provided by section "b", below. Before such approval is requested, the material shall be cleared by the chiefs of those divisions whose functions, responsibilities and duties are involved. Such materials shall also be cleared with the Chief of the Information Services Division, except that divisional memoranda to borrowers shall normally require clearance with the Information Services Division only when they bear directly on the work of that Division. Informational materials relating directly to the work of any other Department of Agriculture bureau or committee or other Federal agency shall be cleared with such bureau, committee or agency. Such material requiring approval outside REA may be submitted by any authorized REA staff member direct to specialists in other bureaus or agencies or may be submitted to the Chief of the Information Services Division for clearance through information channels.

- b. A piece of informational material which, in its entirety, consists of parts of one or more previously approved informational materials and which is cleared by the chiefs of those divisions whose functions, responsibilities and duties are involved, will not require approval by the Administrator. Each such piece of material shall express or imply only those principles, policies and concepts that have been formally approved. Only those quantitative data or interpretations thereof that have been given administrative approval or recognition shall be included or referred to.

2. Processing

- a. The Information Services Division shall be responsible for arranging the processing of informational material that is to be printed at the U. S. Government Printing Office. The Administrator's Office (through the Executive Officer) shall be responsible for arranging the processing of informational material that is to be duplicated through REA or other U. S. Department of Agriculture facilities. Close liaison shall be maintained by these two offices to the end that the most satisfactory and economical method of reproduction is selected for each piece of material.
- b. If the office originating a piece of informational material is in doubt as to the most suitable method of duplication, the problem should be discussed with the Chief of the

Information Services Division, who will recommend the method to be used. If at all possible, the originating office will request this determination before the copy is put into final form for reproduction, since the method of duplication to be used may affect the form of preparation of the copy.

3. Distribution

- a. Except as the Administrator may otherwise direct in specific instances and except as indicated in paragraph "b", below, the distribution of informational material shall be accomplished by or through the Information Services Division.
- b. Arrangements for the distribution of divisional memoranda shall be made directly by the divisions whose functions, responsibilities and duties are involved.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Distribution; Review and Processing of Informational Material
Informational Material; Review, Processing and Distribution
Review, Processing and Distribution of Informational Material

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 73

SUBJECT: Referral and Routing of Official Incoming Communications

RESPONSIBILITY AND PROCEDURE:

1. Except as otherwise provided by Paragraph 2 of this Bulletin, all incoming communications shall be initially routed for action to the Office of the Administrator or to the Chief of that Division whose area of functions, responsibilities and duties cover the primary or major subject of the communication.
2. Incoming written communications shall be routed initially to the Administrator's office if they are of any of the following types:
 - a. from members or committees of the Congress of the United States;
 - b. from the Secretary and the heads of other Bureaus of the Department of Agriculture;
 - c. from heads of other Federal government agencies;
 - d. from heads of the executive branches of the Federal government;
 - e. from the Governors of the several states and territories;
 - f. from heads of the executive branches of state and territorial governments;
 - g. to be acknowledged over the Administrator's signature;
 - h. discussing Federal legislation;
 - i. complaining of some action or inaction.

3. Incoming written communications, regardless of the manner in which addressed, received or routed, shall, if official, be routed by the receiver as previously prescribed.
4. If a communication covers a subject which involves the functions, responsibilities and duties of more than one division, the chief of that division to whom the communication is routed in the first instance will be responsible for bringing it to the attention of each other appropriate division.
5. The routing of incoming oral communications shall follow the same procedures as heretofore prescribed for written communications. An oral communication, if received by an office other than that to which it would have been routed if it had been written, will be summarized by the receiving office and routed as heretofore prescribed.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Communications: Referral and Routing of Official Incoming
Referral and Routing of Official Incoming Communications
Routing and Referral of Official Incoming Communications

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 74

SUBJECT: Identification of Borrowers, Applications and Loans

POLICY:

1. A borrower's system, its loan applications, and loans made to it shall be identified where necessary on Rural Electrification Administration records, communications, etc., by an appropriate state, serial number, county or other designation.

RESPONSIBILITY AND PROCEDURE:

1. The Applications and Loans Division shall be responsible for assigning the appropriate designations for the purpose of identifying borrowers, applications, and loans. No changes in such designations shall be made by any divisions other than the Applications and Loans Division.
2. The designation of a borrower's system shall be as follows:
 - a. The state will be that state within which the initial loan application originates.
 - b. The serial number will be that number assigned to an applicant for an REA loan. Serial numbers will be in state series and will be assigned in numerical sequence. Not more than one number shall be assigned to an applicant.
 - c. The name of the county insofar as practicable, will be that of the county in which the initial loan application originates. Where the use of a county name may lead to confusion or for other reasons is undesirable, a part of the corporate name of the borrower or such other name as may be appropriate may be used in lieu of the county name. A private utility system shall be designated by the initials of the name of the company instead of bearing the name of the principal county in which the initial loan application originates. A system of a municipality, or other public body, shall be designated by the name of the body followed by the word "public". When the public body

is a power district, the appropriate identification of the system shall be followed by the words "District Public".

3. Applications for one or more loans from a single borrower shall be identified alphabetically in sequence according to the date the loan survey is started. Each application shall be identified as follows:

- a. The first application shall be identified as the "A" application, the second as the "B" application, etc. The twenty-second application (in order to avoid confusion, the letters "I", "J", "O", and "Q" shall not be used) would be the "Z" application, the twenty-third would be the "AA" application, the twenty-fourth would be the "AB" application.
- b. Loans shall bear the same designation as the corresponding application.
- c. Once a letter is assigned to an application, the letter shall continue to identify that particular application and shall not be used to identify any other application. In the event an application is canceled, its letter shall not be used for any subsequent application.
- d. Applications may be combined for loan purposes and in such instances, the loan shall be identified by all letters assigned to the application for which the loan is made. For example, if applications A and B were to be included in one loan, the loan would be identified on the Administrative Order as Minnesota 4A, B.
- e. If supplemental funds are needed to complete facilities for which a previous loan has been made, the application for supplemental funds shall be identified as a new application and assigned the next letter.
- f. If a loan does not cover the full amount of an application, the balance may be consolidated with an existing application or may be identified as a new application and assigned the next letter.
- g. The letter shall follow the serial number and precede the county or other designation in identifying individual applications and loans.

4. The purposes contemplated by a loan shall be identified as follows:

a. Section 4 Loans

"D" for Distribution

"T" for Transmission

"G" for Generating (fixed or mobile)

"B" for Headquarters Buildings and Facilities

"P" for Pole Treating Plants

"A" shall be suffixed to the appropriate identification where an acquisition is involved. For example, the identification of a distribution line loan involving an acquisition would be identified thus: "D-A".

b. Section 5 Loans

"R" for Refrigeration Locker Plants

"U" for Irrigation (Only)

"W" for Farmstead Wiring

"S" for Farmstead Plumbing

"EE" for Electrical equipment and appliances

"M" for Miscellaneous or Special Purposes

5. The class of borrower shall be identified as follows:

"C" for Cooperative

"M" for a Public Body except a Public Power District

"U" for a Power Company

"P" for a Public Power District

"N" for an individual

6. The source and character of funds for REA loans shall be identified as follows:

- a. For loans from funds appropriated or made available for the fiscal years 1936 to 1945, inclusive, the last digit in the number of the fiscal year will identify the fiscal year in which the funds were appropriated or made available.
- b. For loans from funds appropriated or made available for fiscal years after 1945, the last two digits in the number of the fiscal year will identify the fiscal year in which the funds were appropriated or made available.
- c. The letter "R", immediately following the fiscal year identification, will identify loan funds established pursuant to Section 3c of the Rural Electrification Act of 1936, as amended.
- d. The letter "D", immediately following the fiscal year identification, will identify funds which are loaned at the discretion of the Administrator pursuant to Section 3d and 3e of the Rural Electrification Act of 1936, as amended.
- e. Obligation of funds, from funds made available in an earlier fiscal year, shall be identified by prefixing a number to the previously described identification. That number shall be the digit of the fiscal year in which the funds will be obligated by a loan contract. The number shall be separated from the previously described identification by a hyphen.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Identification of Borrowers; Applications and Loans
Designation of Borrowers, Applications and Loans
System Designation
Applications for REA loans, Identification of
Loans, Identification of Borrowers, Applications, and Purpose
Purposes of REA Loans, Identification of
Borrowers; Identification by Classes and Loan Purpose
Section 5 Loans; Identification of by purpose

9-8-50

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 75

SUBJECT: Determination of Economic Feasibility or Self-liquidity
of Proposed Distribution Loans

POLICY:

1. General:

The determination that a loan made in accordance with Section 4 of the Rural Electrification Act of 1936, as amended, is self-liquidating and will be repaid out of system revenue within the loan period shall be made on the basis of a finding that during the period of the loan the consumption of electric energy at the rates to be charged will produce estimated revenues and receipts sufficient to cover: (1) all expenditures essential to the operation of the system, to maintaining and preserving the properties in good repair and working order, and to keeping the properties in continuous and adequate operation order to furnish the consumers served with a dependable supply of electric energy; and (2) all payments of principal and interest on the Government loans within the prescribed loan period.

The studies on which such findings are based shall be made of the combined system as an integrated unit and not merely of each subsequent section that may be added from time to time and for which a proposed loan is under consideration. Although there can be no definite list of specific requirements which every system must meet in order to be found self-liquidating, there are certain economic factors, discussed in this Bulletin, that are fundamental to a determination that a proposed loan will be self-liquidating.

2. Determination of Estimated Revenue and Receipts:

The estimated revenue and receipts shall be calculated on the basis of the estimated number of consumers that will be served, the estimated kwh consumption per consumer per month, and the

proposed schedule of retail rates. The estimated number of consumers to be served shall be determined on the basis of: (1) the tabulation certified by the borrower of the persons located along the proposed lines who have signed applications for service; (2) an estimate of the number of potential consumers located along the proposed lines that did not sign applications, but that experience indicates will take service after the lines are constructed; and (3) an estimate of the number of potential consumers who, although not yet located along the proposed lines, are deemed to be probable of such location within a reasonable time, and who are deemed probable of requiring service within such a period. Frequently there are persons located along proposed lines who are reluctant to sign applications during the initial survey and want to wait until construction is under way or completed before they indicate they will take service. In reflection of this situation, provision shall be made in the estimate for such potential consumers. The actual percentage used in any particular instance shall be dependent, primarily, on the results of a field survey although, generally, on the basis of experience, 50 percent of the potential consumers are taken into consideration for the purpose of self-liquidation or feasibility studies. In the case of supplemental loans, consumer estimates used in previous loans shall be reviewed to determine whether any adjustment is necessary and justified.

3. Field Appraisals:

As a basis for estimating the average kwh consumption of consumers to be served over the life of any particular loan, field appraisals shall be made as follows: (a) all "A" applications, and applications from borrowers that have no operating record shall be subject to field appraisal; (b) all supplemental loan applications where the aggregate mileage resulting from that in the loan application and the loans during the immediately preceding 18-month period is 50 percent or more of the total mileage under loan contract at the beginning of such 18-month period shall be subject to field appraisal; and (c) all supplemental loan applications, not included in 3(a) and 3(b) above, that have the following characteristics shall be subject to field appraisal:

<u>Weighted age of system based on miles in service</u>	<u>Percentage of average annual debt service based on plant in service for previous calendar year available from excess revenues</u>
Under 20 months	50 percent or less
20-40 months	75 percent or less
41-60 months	90 percent or less
Over 60 months	Less than 100 percent

For this purpose, the average debt service during the previous year shall be based on the estimated plant in service that produced such revenues, and the "excess revenues" shall be the difference between actual revenues and expenditures (except that maintenance and replacement each shall be estimated as 1 percent of the plant in service instead of actual expenditures for these items).

4. Field appraisals shall give attention to all factors that are likely to affect average farm and residential kwh consumption. Adequate random samples of farm, town residential, and non-farm residential consumers and potential consumers shall be interviewed concerning their present use and plans for future use of electrical appliances and equipment. The actual record of kwh consumption shall be secured for those consumers included in the sample who have electric service. In addition, the field appraiser shall interview those rural leaders and authorities in the area who are in a position to provide information on the factors likely to affect kwh consumption and shall prepare a report based on these interviews. The kwh consumption for the life of any particular loan shall be estimated with appropriate attention to the results of the interviews, the findings reported by the appraiser and trends fitted to the actual kwh consumption data and projected.
5. The average kwh consumption to be used in the feasibility studies of loans not requiring field appraisal as provided in 3 above shall be estimated on the basis of the following factors:
 - a. Consumption history of consumers already served by the applicant.
 - b. Level of consumption on systems operating in areas of similar economic and productive characteristics.
 - c. Adaptability of economy of area to the use of electric power.
 - d. Level of income and progressiveness of the communities

to be served.

e. Other pertinent factors.

6. Any exceptions to the field appraisal requirements set forth in paragraph 3(c) shall be considered by a waiver committee consisting of Executive Officer, Chairman; Chief, Applications and Loans Division; Chief, Management Division; Program Analyst. This committee shall consider requests for the waiver of field appraisals only in those cases where the proposed loan is for member connections, for other facilities which definitely will improve the operating efficiency of the system (as certified by the Engineering Division), or where a cheaper source of power will, if it had been available, result in a 100 percent coverage of average debt service; those cases wherein the excess revenues available for annual debt service have exceeded 100 percent of the average annual debt service requirement for the plant in service for at least six months prior to the date on which waiver is requested; and those cases for which the failure to earn the required percentage of average annual debt service requirement can be shown to be the result of a temporary condition that will definitely be rectified within the immediate future.
7. In support of the feasibility studies for all loan applications for delinquent borrowers, and for those having a weighted age of 60 months or more that did not earn at least 75 percent of their annual debt service requirement for the previous calendar year, a study of the applicant's operations and management shall be made. This study shall determine the requisites to a pay-out status, and when and how the applicant proposes to reach a current status in regard to debt service.
8. Each loan docket recommending a loan to the Administrator shall contain the results of the prescribed field appraisal, or waiver thereof, for those applications requiring field appraisals in accordance with paragraph 3; and for delinquent borrowers, and others requiring such studies in accordance with paragraph 7, each loan docket shall contain a summary of the study.
9. Establishment of Loan Budget:

For the purpose of establishing the loan budgets, the estimated construction cost of the proposed project shall be determined on the basis of the estimated consumers to be served,

estimated kwh consumption, and the facilities required. A budget shall be prepared for each loan covering all items involved in the cost of the project, including construction, fees for professional services, insurance, supervision, salaries and overhead. This budget shall serve as a guide for the advancement of loan funds as requisitions are received from the borrower for payment of approved expenditures.

10. Estimated Operating Expenditures:

The estimated operating expenditures of the proposed project shall be determined on the basis of expenditures that the borrower will have to make during the loan period to keep the properties in good repair and working order, and to pay the cost of salaries, insurance, taxes, power, rent, and other items essential to providing adequate, dependable electric service to the consumers, and to make payments of interest and principal on the Government loans when and as they become due. For purposes of self-liquidation studies, the estimated average annual expenditures of the borrower during the life of the loan shall include an estimate of all normal operating expenses of the borrower to the extent that they result in the expenditure of funds by the borrower during such period. The estimated expenditures shall not include, however, any provision for additions to capital improvements, catastrophic replacements to the properties, nor shall they anticipate the keeping of total book value of the borrower's assets equal to their original cost throughout the loan period. Except as otherwise approved by the Administrator, the formulae for determining average annual expenditures shall be as follows:

Operations	1 percent of estimated physical plant cost
Maintenance	1 percent of estimated physical plant cost
Replacement	1 percent of estimated physical plant cost
General Administration	2 percent of estimated physical plant cost
Debt Repayment and interest	4.1 percent of total loans *
Taxes	As determined
Insurance	As determined
Power Cost	As purchased or generated

* Above percentage is for a 35 year loan with 5 year interest accumulation period. Necessary adjustments must be made for interest accumulation, Section 12 extensions, and variation in loan and accumulation periods.

11. Final Determination of Self-liquidation of Proposed Loan:

The final determination of whether a proposed loan is self-liquidating and will be repaid out of system revenue during the period of the loan shall be based on a comparison of the estimated annual revenues with the estimated annual expenditures as shown by the above studies. A surplus of estimated revenues over the expenditures, reasonable under all the circumstances of the case, will constitute a basis for a finding that the loan would be self-liquidating and may be considered for final action.

RESPONSIBILITY AND PROCEDURE:

1. The Applications and Loans Division is responsible for:

- a. Making all loan recommendations to the Administrator.
- b. The development of the self-liquidation or feasibility study (AL-51) to be a part of each loan docket, including: consumer estimates; estimates of the probable average annual kwh consumption; and the estimates of revenues and expenditures. In addition, the Division shall develop an estimate of probable maximum annual kwh consumption.
- c. The Economic Analysis Section of the Applications and Loans Division shall make an independent study of all farm and residential kwh consumption estimates and the maximum kwh estimates included in loan dockets and its report shall be made a part of each loan docket.
- d. Arranging and scheduling field appraisals, as required, in accordance with the following:
 - (1) On receipt of an application, the Division shall request the Management Division to provide an "Analysis of Financial and General Operating Characteristics" (Forms CO-133 and 134 as amended) for inclusion in the loan docket. In cases where the examination schedule for the loan application may be delayed because of incomplete data or other unusual circumstances, the request shall be made at least 3 months prior to the time when the loan application is scheduled for examination.

- (2) On receipt of the "Analysis of Financial and General Operating Characteristics", the Division shall determine whether a field appraisal or a study of the borrower's operations and management, or both, is required.
- (3) As an alternative to (1) and (2) above, the determination of borrowers that will require field appraisals may be made at the beginning of each calendar year on the basis of available debt service statistics, and field appraisals scheduled throughout the year as required so that they will be completed as loan examinations require feasibility studies.
- (4) The Division shall schedule the required field appraisals to be made by the Economic Analysis Section in accordance with an approved field appraisal manual, or request the Administrator or the Waiver Committee to waive the field appraisal requirement. Such schedules or requests must be made within ten days of the receipt of the "Analysis of Financial and General Operating Characteristics" or 30 days prior to the time that the feasibility study is scheduled for completion. Requests for waiver shall contain a statement of specific facts to justify such action.
- (5) If required, the Division shall request the Management Division to make a study of the applicant's management and operations.
- (6) The Division shall include in each loan docket for borrowers requiring field appraisals the results of the prescribed field appraisal prepared by the Economic Analysis Section, or a waiver of the field appraisal approved by the Administrator or concurred in by a majority of the members of the Waiver Committee; and for borrowers requiring management studies, a summary prepared by the Management Division of its study of the applicant's management and operations.

- e. Requesting from the Engineering Division statements as to the adequacy of the capacity of the borrower's system to carry the estimated maximum kwh necessary to attain the average kwh consumption in the feasibility study. The engineering report shall be included in the loan docket.
- f. Preparation of the loan budget. The estimates for purposes in the loan budget shall be secured in writing for inclusion in the loan docket by the Applications and Loans Division (except where the divisions responsible have furnished the Applications and Loans Division with a standard formula on which estimates shall be based) in accordance with the following:

<u>Purpose</u>	<u>Division Responsible for Preparation of Estimate</u>
(1) Construction	Engineering Division
(2) Legal Fees	Office of Solicitor
(3) Miscellaneous Legal	Office of Solicitor
(4) Engineering	Engineering Division
(5) Pre-loan	Applications and Loans Division
(6) Easements	Applications and Loans Division
(7) Purchase of Rights-of-Way	Engineering Division
(8) General Overhead	Applications and Loans Division
(9) Equipment	Engineering or Management Division <u>1/</u>
(10) Power & Telephone Agreement	Engineering Division
(11) Power-use Activities	Applications and Loans Division
(12) Trustees Fees	Office of Solicitor
(13) Building Sites	Management Division
(14) Headquarters and Warehouse Facilities	Engineering Division or Management Division <u>2/</u>
(15) Electric Plant Purchased	Applications and Loans Division and Engineering Division <u>3/</u>
(16) Service Entrances	Applications and Loans Division
(17) Material	Engineering Division
(18) Labor and Other	Engineering Division

- Note 1. All estimates involving equipment used in connection with construction or technical operations or maintenance purposes including communication equipment shall be the responsibility of the Engineering Division. Estimates for other equipment items shall be the responsibility of the Management Division.
- Note 2. The Engineering Division shall be responsible for construction cost estimates concerned with the building or rehabilitation of structures. The Management Division shall be responsible for the estimates concerned with the purchase of headquarters and warehouse facilities.
- Note 3. See Administrative Bulletin #62. The Applications and Loans Division shall be responsible for approval of the purchase price. Estimates concerned with rehabilitation costs shall be the responsibility of the Engineering Division and will be based on over-all plans for the proposed acquisition.

The Applications and Loans Division shall furnish the Divisions with the necessary information from the loan application required for the preparation of the estimates. It is the responsibility of the Applications and Loans Division to obtain from borrowers such necessary information.

The divisions shall submit their estimates within five working days from the date of the receipt of the request. In preparing the estimates for the loan budget the divisions shall take into consideration the availability of previous loan funds.

- g. Requesting from the Management Division information to be used in the preparation of feasibility studies as follows: (1) borrower's existing rate schedules; (2) basis for preparing estimates of expenditures for taxes; and (3) basis for preparing estimates of expenditures for insurance. The report from the Management Division transmitting these data shall be included in the loan docket.
- h. Requesting from the Power Division a report, to be included in the loan docket, which will include an estimate of the average cost of wholesale power over the life of the loan on the basis of consumption estimates used in the feasibility study and a determination of the source of the wholesale power.
- i. The reports submitted by each division with reference to paragraph 1(f) above shall be included in each loan docket.

2. The Management Division is responsible for:

- a. Preparation of loan budget estimates as outlined in paragraph 1(f) above.
- b. The preparation of the "Analysis of Financial and General Operating Characteristics" (Forms CO-133 and 134), in accordance with the approved manual, which shall be submitted to the Applications and Loans Division within five working days of receipt of the request. In lieu of the submission of these forms the Management Division shall, within five working days, confer with the Applications and Loans Division on unusual circumstances affecting the preparation of the forms and the advisability of proceeding with a special study of the circumstances as they may affect loan feasibility.
- c. On request of the Applications and Loans Division, making studies of the management and operations of any applicant's system which, together with recommendations for correction of managerial deficiencies, as related to loan feasibility, shall be submitted to the Applications and Loans Division within 30 days of the time of request.
- d. Furnishing borrowers' existing retail rate schedules. The schedules shall be included in the loan docket.
- e. Preparing for the Applications and Loans Division, the basis to be used in estimating expenditures for insurance and taxes used in feasibility studies.
- f. The above information shall be submitted to the Applications and Loans Division within five working days from the date of receipt of the request.

3. The Engineering Division is responsible for:

- a. Preparation of loan budget estimates as outlined in paragraph 1(f) above.
- b. Determination of the adequacy of the capacity of the borrower's system, as proposed in the loan docket, to carry the estimated maximum kwh necessary to attain the average kwh consumption used in the feasibility study. The Engineering Division report on system capacity shall be submitted to the Applications and Loans Division for inclusion in the loan docket.

4. The Power Division is responsible for:

- a. Estimating the average cost of wholesale power over the life of the loan based on estimates of consumption used in the feasibility study, and
- b. Determining the location and voltage of the source of wholesale power.

The report of the Power Division shall be submitted to the Applications and Loans Division within five working days of receipt of the request for inclusion in the loan docket.

5. In preparing the loan budget for each loan docket, the Applications and Loans Division representative concerned shall call a meeting of the respective representatives of the Engineering, Finance and Management Divisions for the purpose of obtaining an over-all appraisal of the applicant's needs, and the amounts to be provided for each budget item. The notice of such meeting shall be issued by the Applications and Loans regional head at least 24 hours in advance.

This Bulletin supersedes Administrative Bulletin No. 65 and all other existing instructions in conflict with the provisions of this Bulletin.


Acting Administrator

Index:

Determination of Economic Feasibility or Self-liquidity of
proposed Distribution Loans
Distribution Loans; Determination of Economic Feasibility
or Self-liquidity of
Feasibility Studies; Determination of Self-liquidity of Pro-
posed Distribution Loans
Self-liquidity Studies; Determination of Economic Feasibility
of Distribution Loans

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

M-29 (rm4,1,8)
5-31-50

Administrative Bulletin No. 76

SUBJECT: Identification of Construction Contracts

POLICY:

It is the policy of the Rural Electrification Administration to identify contracts for the construction of electric distribution or transmission facilities of distribution-type borrowers.

RESPONSIBILITY AND PROCEDURE:

It shall be the responsibility of the Engineering Division to identify and register such contracts in sequence for each borrower beginning with the serial number "1".

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Construction Contracts; Identification of
Designations; Identification of Construction Contracts
Identification of Construction Contracts

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 77

SUBJECT: Approval of Borrower's Attorney and Attorney's Fees

POLICY:

1. The selection of a borrower's attorney is a matter for determination by the borrower. When selected, such attorney serves at the pleasure of the borrower. Similarly, the matter of the attorney's fees is one for mutual agreement between the borrower and the attorney in accordance with the usual attorney-client relationship. The Rural Electrification Administration, however, is charged with the responsibility of protecting the Government's security interests. It is, moreover, directly concerned with the amounts of all expenditures from loan funds. Opinions rendered by the borrower's attorney concerning the validity of the borrower's corporate proceedings, the validity of rights-of-way, etc., have a direct bearing on the Government's security interests. Similarly, REA has a direct concern with the maximum amount of legal fees payable from loan funds.
2. Inasmuch as REA must place reliance on opinions rendered from time to time by the borrower's attorney, the loan contract shall require that the borrower's selection of attorney shall be subject to approval by REA.
3. The legal fees in respect of any REA loan, payable from loan funds, shall not exceed the maximum fees established for this purpose by REA. Legal fees, payable by borrowers, from non-loan funds (such as fees payable from general funds or operating revenues for legal services rendered in connection with the borrower's operations) shall not be subject to express REA approval.

Such fees shall not, however, exceed fees which would be normal under such circumstances nor be such as to endanger the Government's security interests.

RESPONSIBILITY AND PROCEDURE:

1. Approval of attorney.

Upon receipt of information by any REA employee that a borrower is contemplating the selection of an attorney or has terminated the employment of its existing attorney, a questionnaire (Form No. ADM-93A), requesting data concerning the qualifications and experience of the proposed new attorney shall be forwarded to the borrower. If such questionnaire is forwarded other than by the Solicitor's Office, the Solicitor's Office shall be advised immediately. Upon receipt by the Solicitor's Office of the completed questionnaire, that Office shall correspond with the references named in the questionnaire and with such others as it deems advisable, review the legal qualifications and experience of the proposed attorney, and if he appears to meet the minimum standards, shall prepare a letter for the signature of the Administrator, notifying the cooperative that the attorney has been approved by REA for the purposes of the loan contract.

2. Attorney's fees.

a. After each loan is made, the Solicitor's Office shall:

- (1) In the case of distribution-type borrowers, dispatch a letter to the borrower advising it of the maximum fee payable from loan funds (pursuant to fee schedules approved by the Administrator) for normal legal services incident to the new loan;
- (2) In the case of power-type borrowers, prepare a similar letter for signature by the Administrator.

Copies of all such letters shall be forwarded to the Finance Division.

b. Special legal services by the borrower's attorney (not provided for under "normal legal services"

under sub-paragraph "a" above) may be payable from loan funds if properly chargeable to the particular loan. The accounts thus payable shall be such as provided in fee-schedules approved by the Administrator, or as approved by the Administrator in the particular case. The Finance Division shall be appropriately advised of any fee thus approved.

This Bulletin supersedes Administrative Bulletin No. 101 and all other existing instructions in conflict with the provisions of this Bulletin.

Claude B. Wickard

Administrator

Index:

Approval of Borrower's Attorney and Attorney's Fees
Attorney, Approval of Borrower's; and Attorney's Fees
Fees; Approval of Borrower's Attorney and Attorney's

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 78

SUBJECT: Overtime Work

RESPONSIBILITY AND PROCEDURE:

1. The provisions of this Bulletin shall apply to all per annum employees of the Rural Electrification Administration, both field and departmental.
2. Overtime work is defined as follows:
 - a. "Ordered Overtime" means all work which an employee performs at times other than during the established working hours of the employee, upon the approved order or request of those persons specifically authorized to make such order or request, and for which the employee will be compensated.
 - b. "Voluntary Overtime" is that overtime in excess of the administrative work week which is performed voluntarily by the employee and for which the employee will receive no compensation.
3. All "Ordered Overtime" shall require specific prior approval by the Administrator, the Deputy Administrator, or the Assistant Administrator. Requests for such approval shall be submitted in writing and in duplicate, stating specific information as to the names of employees, dates and hours to be worked and detailed explanation of the necessity for such overtime. All requests for "Ordered Overtime" must be submitted in advance of the time that the work is to be performed. In the event it is not practicable to secure advance written approval, oral approval may be requested which must be confirmed in writing not later than the end of the pay period in which the work was done.
 - a. Overtime shall be computed in multiples of fifteen minutes.
 - b. One copy of the request will be returned to the Division indicating whether or not approval is granted.

- c. All records of approved "Ordered Overtime" will be maintained in the Payroll Unit, Administrative Services Division.
4. All "Ordered Overtime" shall be compensated for by payment in accordance with provisions of Section 201 of Federal Employees Pay Act of 1945 (Public Law 106 - 79th Congress).
5. Employees may, if they request it in writing, be granted compensatory time off from duty, hour for hour, in lieu of pay for ordered overtime work performed. Such requests shall be submitted by not later than the end of the pay period in which the overtime work was performed and must be attached to the bi-weekly attendance reports.
6. Compensatory time off must be taken within thirty days after the overtime is ordered and cannot be accumulated after that date. Compensatory time off must be used before annual leave can be granted, provided this will not result in the loss of accumulated annual leave.
 - a. When compensatory time off is granted it shall be shown on the attendance report Standard Forms 1130, 1135, and 1136, by indicating the number of hours, followed by a "C".

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude F. Wickard

Administrator

Index:

Overtime Work
Work, Overtime

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 79

SUBJECT: Authorization to Approve Contracts and Other Agreements
Related to Borrowers' Construction Activities -- Power
Division

1. The Chief of the Power Division is authorized to approve on behalf of the Administrator the following contracts between borrowers of the Rural Electrification Administration and parties other than the United States for generation and transmission facilities:
 - a. Engineering service contracts and amendments thereto;
 - b. Architectural service contracts and amendments thereto;
 - c. Construction contracts and amendments thereto (contracts involving labor at project site).
2. The Assistant Chiefs in addition to the Chief of the Power Division are authorized to approve on behalf of the Administrator the following contracts and agreements between REA borrowers and parties other than the United States for generation and transmission facilities:
 - a. Amendments to construction contracts when the amendment is for less than \$50,000;
 - b. Materials and equipment contracts and amendments thereto;
 - c. Agreements with reference to physical and/or electrical interference with power and telephone or other communication facilities; and
 - d. Agreements with reference to highway and railroad crossings and sidings.
3. The authorization set forth above in paragraphs "1" and "2" shall be exercised for such contracts and agreements as are related to the activities assigned to the Power Division. These activities are outlined in Administrative Bulletin No. 53.

4. The authorizations in this Bulletin are made with the understanding that where the following conditions or circumstances exist for contracts in excess of \$2,500, the authority will not be exercised until clearance has been obtained from either the Administrator, the Deputy Administrator or the Assistant Administrator:
 - a. Proposals for approval of negotiated contracts where established REA procedure requires that formal bidding practices be followed;
 - b. Proposals for approval of other than the low bidder;
 - c. Proposals for approval of contracts where borrower and borrower's engineer are not in agreement as to award;
 - d. Proposals for approval of contracts which involve change in established policy or unusual terms or conditions.
5. Where any of the above conditions exist a report of the facts bearing on the case shall be presented, together with recommendations on action to be taken, but excluding the contract in question. Such report should provide a space where approval may be indicated. The report if approved will be attached to the office copy of the contract and the contract will be approved by the appropriate divisional representative.
6. Any contracts that do not conform to standard contract forms approved by the Office of the Solicitor shall be approved for legal matters by the Office of the Solicitor in accordance with established procedure prior to the approval of the contracts.
7. Approvals made pursuant to this authorization shall be exercised only after application of established procedures and such approvals shall be deemed to represent compliance with established procedures.
8. Approvals pursuant to this authority shall be signed:

/s/ _____
for Claude R. Wickard, Administrator

This Bulletin supersedes all existing authorizations in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Approve Contracts and Other Agreements Related to
Borrowers' Construction Activities -- Power Division
Construction Activities -- Power Division: Authorization to Approve
Contracts and Other Agreements Related to Borrowers'
Contracts and Other Agreements Related to Borrowers' Construction
Activities -- Power Division: Authorization to Approve
Power Division: Authorization to Approve Contracts and Other Agreements
Related to Borrowers' Construction Activities --

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 80

SUBJECT: Certification and Audit of Administrative Payrolls

RESPONSIBILITY AND PROCEDURE:

1. The chief of each division shall, with respect to each pay period, certify to the Head, Internal Accounting and Travel Section, Administrative Services Division, the name of each employee assigned to his division who is entitled to salary for that period. Such certification shall show the inclusive dates and hours of the period for which each employee is to be paid. The Administrator, Deputy Administrator or the Assistant Administrator shall make a similar certification for the employees of the Office of the Administrator.
2. Upon completion of the administrative payrolls by the Administrative Services Division, the Head, Internal Accounting and Travel Section shall, after such preliminary review as may be practicable, forward the payrolls, together with any appropriate instructions, to the Disbursing Officer of the Treasury Department for the preparation of the salary checks. Thereafter, the Head, Internal Accounting and Travel Section shall be responsible for preparing, to the extent necessary in consideration of the General Accounting Office audit, an audit of the payrolls, for certifying the proper amount to be paid to each employee, and for promptly notifying the Chief of the Administrative Services Division to that effect.
3. The Chief of the Administrative Services Division, upon receipt of the salary checks from the Disbursing Officer of the Treasury Department, shall have the checks compared with the previously referred to notification with respect to the payment for services, hold all checks covered by an audit exception for return to the Disbursing Officer of the Treasury Department and promptly thereafter deliver those checks not involved by an audit exception to the appropriate division chiefs and to the Administrator, Deputy Administrator or the Assistant Administrator for distribution to the appropriate employees.

4. The Chief of the Administrative Services Division shall promptly transmit to the Disbursing Officer of the Treasury Department through the Head, Internal Accounting and Travel Section all checks withheld due to an exception without canceling or otherwise mutilating them. A schedule listing identifying information with respect to each such check shall form part of his transmittal communication. A copy of such communication shall be prepared and forwarded to the Head, Internal Accounting and Travel Section for his records.
5. The adjustment of the payment for services of an employee involved by a payroll exception shall be resolved by the Chief of the Administrative Services Division. Each supplemental administrative payroll shall be processed in the manner as heretofore described.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickford
Administrator

Index:

Administrative Payrolls: Certification and Audit of
Audit of Administrative Payrolls: Certification and
Certification and Audit of Administrative Payrolls
Payrolls: Certification and Audit of Administrative

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 81

SUBJECT: Hours of Duty

POLICY:

1. Except as provided by Paragraph 2, the official working hours of the Rural Electrification Administration employees in the Departmental service shall be from 9:00 a.m. to 5:30 p.m., Monday through Friday, with 30 minutes for lunch.
2. When circumstances warrant, the official working hours of certain designated employees may differ from those established by Paragraph 1, but in no event less than 8 hours daily Monday through Friday. The chiefs of the appropriate divisions shall designate such employees and, with the approval of the Chief of the Personnel Division, establish their official working hours.
3. The official working hours of field employees or Departmental employees while performing work in the field shall be 8 hours a day Monday through Friday. The starting and quitting time shall be arranged to comply, as nearly as possible, to the regular working hours established for the employees of borrowers with or at which the REA employee is working.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Duty: Hours of
Hours of Duty

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 82

SUBJECT: Travel Reports

POLICY:

1. Each staff member of the Rural Electrification Administration shall submit a report with respect to his REA activities while in travel status.

RESPONSIBILITY AND PROCEDURE:

1. A staff member assigned or detailed to field work with permanent or temporary headquarters at some city or town other than Washington, D. C., shall submit such report as his division chief shall determine no later than one (1) week after the completion of his work with respect to a borrower or other specific assignment.
2. A staff member with permanent or temporary headquarters at Washington, D. C., shall submit such report within four (4) working days after his return to headquarters.
3. Each such report shall, in addition to information required by a specific assignment or other instructions, include:
 - a. The name and address of each borrower, other agency or person with whom significant discussions were held, together with dates;
 - b. A statement of the purpose of the field trip;
 - c. A statement of results of the trip in terms of its purpose;
 - d. A statement of recommendations for future follow through or action;
 - e. A statement of significant instructions, guidance or recommendations given to a borrower, other agency or person; and
 - f. A summary of the major points of discussion.

4. A copy of each travel report shall be promptly forwarded to the Administrator.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Reports: Travel
Travel Reports

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 83

SUBJECT: Preparation and Approval of Forms and Records for
Duplication

POLICY:

1. In order to achieve coordination and simplification of forms and records and to eliminate overlapping within the organization and to relieve borrowers of unnecessary work, it is necessary that all forms and records be carefully studied for the best adaption to established need. The number of forms and records should be reduced to the lowest possible minimum consistent with efficient administration. A needed form, either new or revised, should be designed to secure the simplest procedure in its use and the most direct routing to the person responsible for handling it.

RESPONSIBILITY AND PROCEDURE:

1. The initiation or development of a particular form or record shall be the primary responsibility of the several divisions in accordance with the assigned divisional functions. For example, all accounting forms and requisitions for their duplication shall originate in the Finance Division. In those instances where a particular form or record reflects in part the functions of more than one division, the division initiating such form shall assume the responsibility of clearing the proposed form with other divisions that may have an interest in it before submitting a request for its duplication. The written approval of such other divisions as may be appropriate in this connection shall accompany each such request for duplication. In this way the Rural Electrification Administration will be able to present a consistent and unified line of action to its borrowers and thereby avoid possible duplication of effort or contradictions.
2. All requisitions for the duplicating, photostating or blue printing of material shall be sent initially to the Office of the Administrator for approval, routing, and clearance where

necessary with the Bureau of the Budget in accordance with regulations issued pursuant to the Federal Reports Act of 1942. All material intended for use outside of the Administration shall bear the following identification:

DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

3. All forms which are to be in continuous and regular use must be printed by the Government Printing Office. Since 90 days is the average delivery time required by GPO, it is important that the need for such forms be anticipated and orders placed well in advance.
4. A requisition for each proposed new or revised form shall be prepared on the approved requisition form and shall be accompanied by the approved justification form on which shall be stated the purposes for which the proposed material is to be used and the procedure to be followed in the distribution and use of such form.
5. Each such requisition, with attachments, shall be sent to the Office of the Administrator for review and approval. When required approvals have been obtained, it will be forwarded for reproduction.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Approval of Forms and Records for Duplication; Preparation and Duplication; Preparation and Approval of Forms and Records for Forms and Records for Duplication; Preparation and Approval of Preparation and Approval of Forms and Records for Duplication

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

Administrative Bulletin No. 84

SUBJECT: Indexing System for Memoranda to Borrowers, Contractors,
Engineers, Suppliers, and to Others Outside REA

1. The purpose of this Bulletin is to set forth the system of indexing and classification of divisional memoranda issued to borrowers, contractors, engineers, suppliers, and to any others outside the Rural Electrification Administration. This system will apply to memoranda for both the electrification and telephone programs.
2. The following codes will be used for both electrification and telephone memoranda:
 - AL - Applications and Loans Division
 - ENG - Engineering Division
 - FIN - Finance Division
 - MGT - Management Division
 - PWR - Power Division
3. The abbreviation code described in paragraph 2 above will precede the serial number of the memoranda. Numbers 1-499, inclusive, are to be used for electrification memoranda; 501 and up are for telephone memoranda. Each division will be responsible for developing its own block of numbers to be assigned the various major subjects. Memoranda issued by each division will be numbered by the division according to the appropriate series.
4. For electrification memoranda, the headings for each divisional series shall be as follows:

<u>Heading</u>	<u>Division</u>
Loan Memorandum	Applications and Loans Division
Engineering Memorandum	Engineering Division
Finance Memorandum	Finance Division
Management Memorandum	Management Division
Power Memorandum	Power Division

The attached sample number 1 illustrates an example of a divisional electrification memorandum, with the reference index in the upper right corner.

5. In a joint electrification memorandum, cross-reference index numbers will be used for identification purposes. This is necessary for an electrification memorandum which describes corresponding responsibilities of more than one division, such as the technical activities of the Engineering and Power Divisions, and the management functions of the Management and Power Divisions. The attached sample number 2 indicates the use of the cross-reference index in the upper right corner of the memorandum. In such a joint memorandum, two headings will be used to identify it as a memorandum from the two divisions and both division chiefs will sign the memorandum as indicated in sample number 2.
6. For telephone memoranda, the heading for each divisional series will be as follows:

<u>Heading</u>	<u>Division</u>
Telephone Loan Memorandum	Applications and Loans Division
Telephone Engineering Memorandum	Engineering Division
Telephone Finance Memorandum	Finance Division
Telephone Management Memorandum	Management Division

Sample number 3 indicates a divisional telephone memorandum with the reference index in the upper right corner.

7. When it is determined by a line division that a telephone memorandum should be issued on a subject which has already been, or should also be, covered by an electrification memorandum, the division will issue a separate telephone memorandum.
8. No supplements will be used for either electrification or telephone memoranda. If a memorandum requires a change or addition, it will be completely revised and reissued. Each revision memorandum number will carry the suffix R followed by the number 1 for the first change, 2 for the second change, and so on, as illustrated in the attached sample number 3. When a memorandum becomes obsolete, it will be cancelled by issuing a notice to that effect. Such memorandum number will not be re-used unless the same subject memorandum is reactivated.
9. Announcements by a division concerning organization changes, personnel or supervisory appointments, and other one-time notices will not require coding or numbering.

10. This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Classification of Divisional Memoranda to Borrowers, Contractors,
Engineers, Suppliers, and to others outside REA
Divisional Memoranda to Borrowers, Contractors, Engineers, Suppliers,
and to Others Outside REA: Classification of
Indexing System for Memoranda to Borrowers, Contractors, Engineers,
Suppliers, and to Others Outside REA
Memoranda to Borrowers, Contractors, Engineers, Suppliers, and to
Others Outside REA: Indexing System for

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

SAMPLE #1

May 1, 1950

MANAGEMENT MEMORANDUM 150

SUBJECT: Meter Installation

In order to have accurate information regarding the performance of a meter, it is recommended that all meters be tested before they are installed. When done properly, such testing will generally avoid the expense of returning them to the factory. It will also provide you with essential information if a consumer complains that his meter is running too fast.

In many cases we understand that complaints have been made to the manufacturers that meters were running too fast or too slow without having such meters tested before such complaint.

To those managers who have not yet ordered meter testing units, we strongly recommend that they do so as soon as possible. Loan funds can be provided for the purchase of these instruments and the expenditures may be capitalized. A general plant order should be submitted to set up the funds before purchasing such equipment. Likewise, the cost of the first testing of kwh meters may be capitalized as such cost is a part of the original installation.

It is highly important, for the protection of the member as well as the system, that all meters are properly sealed at all times. Obviously, the time for doing this is when the meter is first installed. The responsibility for seeing that it is done should rest with the manager.

Signed: I. Thomas McKillop
I. Thomas McKillop
Chief, Management Division

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

SAMPLE #2

May 1, 1950

ENGINEERING MEMORANDUM 191 R1

POWER MEMORANDUM 25

SUBJECT: Investigation of Defective Pole Shipments

Pole inspection companies are employed by borrowers to insure that all poles shipped by suppliers are in accordance with REA specifications, but there may be some poles delivered which do not appear to meet these specifications. In order that a thorough investigation be made of any complaints, we urge that borrowers give us full information before filing a claim with the pole supplier or with the pole inspection company.

We can then assign an REA pole inspector, if necessary, to make a field investigation and report. This procedure should result in mutually satisfactory settlements.

This memorandum applies to all distribution-type borrowers.

Signed: J. K. O'Shaughnessy
J. K. O'Shaughnessy
Chief, Engineering Division

This memorandum applies to all power-type borrowers.

Signed: J. B. McCurley
J. B. McCurley
Chief, Power Division

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

SAMPLE #3

May 1, 1950

TELEPHONE ENGINEERING MEMORANDUM 664 R2

SUBJECT: Award of Construction Contract

All awards of borrowers' construction contracts will be based on competitive bidding and the awards shall be made to the lowest responsible bidder unless all bids are rejected or unless the Administrator shall approve the award of the contract to other than the low bidder upon a showing by the borrower that the award of the contract to such other bidder is in the best interests of the borrower. There shall be no negotiations carried on in lieu of competitive bidding nor for the purpose of having individual bidders change their bid after the bid opening or after the rejection of all bids. REA will not approve any negotiated bid.

The award of a contract shall not be approved if the facts indicate that the bidder has an interest conflicting with that of the borrower.

Signed: J. K. O'Shaughnessy
J. K. O'Shaughnessy
Chief, Engineering Division

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 85

SUBJECT: Maintenance and Disposition of Records, Including
Correspondence and Documents

RESPONSIBILITY AND PROCEDURE:

1. In order to provide a uniform plan for the maintenance, use and orderly disposition of records, assure preservation of important record material, and obtain maximum utilization of record equipment and personnel, the following responsibilities and procedures concerning the maintenance and disposition of records are established:
 - a. The Communications and Records Management Section of the Administrative Services Division is responsible for the maintenance and disposition of all Rural Electrification Administration records, except the official personnel folders maintained in the Personnel Division. Personnel from the Administrative Services Division will, wherever practicable, be responsible for classifying and filing material in the operating offices, and for removing such material upon the termination of the filing period established for each class of document.
 - b. Current records will be maintained, wherever practicable, in the operating offices of REA or in the Solicitor's Office, as the case may be, in accordance with an REA classification outline established by the Communications and Records Management Section. Addition or deletion of subjects listed in the classification outline shall not be made, nor shall new files be created, without the prior authorization of the Communications and Records Management Section.
 - c. To insure compliance with archival requirements and regulations, records of the Administration shall not be disposed of without prior authorization of the Administrative Services Division, having due regard for archival and Department regulations and other legal requirements.

- d. The current records of the Office of the Administrator, together with semi-active REA records, will be maintained in the Central Records Unit of the Communications and Records Management Section. This Unit will also maintain an index for use in locating subject matter correspondence.
- e. Uniform use of colored carbon copies will be required throughout REA, as indicated:
 - (1) Yellow carbon copy - The official records copy of all correspondence. This is the copy initialed by the dictator and reviewers. It is not to be removed from the office in which it is filed without first preparing the proper charge-out form.
 - (2) Pink carbon copy - To be prepared for all Congressional correspondence and for general correspondence which does not relate to a specific borrower. This copy will be filed in the Central Records Unit alphabetical name index as an auxiliary finding medium for the record copy.
 - (3) White carbon copies - All other carbon copies of correspondence originating in REA, regardless of use.
- f. After dispatch of the original communication, carbon copies and previous correspondence will be returned to the originating office, except correspondence originating in the Office of the Administrator. Informational (white) carbon copies will be dispatched in inter-office envelopes by the office personnel. The record (yellow) copy, the pink carbon copy, and any previous material will be placed in a designated tray. This material will be processed daily in the originating office by a record clerk from the Communications and Records Management Section.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Correspondence and Documents: Maintenance and Disposition of
Disposition and Maintenance of Records, Including Correspondence
and Documents
Files: Maintenance and Disposition of Records, Including Correspondence and Documents
Maintenance and Disposition of Records, Including Correspondence and Documents
Records, Including Correspondence and Documents: Maintenance and Disposition of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 86

SUBJECT: Establishment of Reserves for Possible Losses on Loans

POLICY:

1. In order to maintain the records of the Rural Electrification Administration in such manner as to permit the making of such periodic reports on the financial condition of the program of REA as may be required, an amount equal to one-tenth of one percent of net loans outstanding to all borrowers other than Government agencies shall be maintained on the records to reflect possible losses on loans.

RESPONSIBILITY AND PROCEDURE:

1. The Executive Officer shall prepare an annual report to the Administrator, to be submitted on or before July 15, setting forth the condition of loans receivable and making recommendations relative to the amount of reserves to reflect a conservative estimate of all possible losses on loans.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Establishment of Reserves for Possible Losses on Loans
Loans: Establishment of Reserves for Possible Losses on
Reserves for Possible Losses on Loans: Establishment of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

MM-3(rM2)
5-30-50

Administrative Bulletin No. 88

SUBJECT; Scales for Key and Detail Maps

POLICY:

1. Unless the Administrator otherwise directs in specific instances, the scale of a key map shall normally be 1/2 inch to 1 mile except, however, that in no event shall the scale be less than 1/4 inch to 1 mile and further provided that a scale of 1 inch to 1 mile, or a multiple of 1 inch, may be used if such a scale would be more practicable.
2. Unless the Administrator otherwise directs in specific instances, the scale of a detail map shall be 1 inch to 2000 feet except, however, that large scale detail maps of rural community areas may be drawn to a scale not greater than 1 inch to 200 feet.
3. The foregoing provisions are not to be construed to require the re-drawing or re-submission of any existing map merely because the scale of such existing map does not conform to the provisions of this Bulletin.
4. For the purpose of this Bulletin, the terms "base map", "key map" and "detail map" shall be defined as follows:
 - a. Base Map: The term "base map" with respect to an area covering a borrower's proposed or existing system, is defined to mean a map drawn to scale on a horizontal plane showing and identifying each major physical and cultural feature, state and county boundaries and, if available, range and section lines. Major physical features shall include rivers, large streams, lakes, bays, mountain ranges and peaks. Major cultural features shall include roads, highways, canals, railroads, railroad stations, airplane landing fields, airports, cities, towns, villages and other political subdivisions.

b. Key Map: The term "key map" is defined to mean a base map showing and identifying as the minimum requirements:

- (1) The location of a borrower's proposed or existing system (showing optimum system boundaries if determined) including, but without limitation, the source of power (e.g., transmission lines of a private or other electric power utility, generating station or substation).
- (2) The location of existing private or other electric power utilities in the vicinity of a borrower's lines.
- (3) The boundaries of the several sections covered or to be covered by detail maps.
- (4) The name of the borrower.
- (5) The name and address of the mapping engineer.
- (6) The date the map was prepared.
- (7) The scale of the map.
- (8) Such other information as the Administrator may from time to time require to be shown.

With respect to each existing or proposed line of a private or other electric power utility, the name of the utility operating such line and the voltages of each line or major part of such system should be shown.

c. Detail Map: The term "detail map" is defined to mean a base map showing and identifying in addition to the data required to be shown on a key map.

- (1) The location of each consumer and potential consumer with respect to the nearest road or highway and to the nearest existing or proposed distribution line.
- (2) The location of telephone, telegraph, and signal circuits in the vicinity of a borrower's lines.
- (3) Such other information as the Administrator may from time to time require to be shown.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: The Engineering Division is responsible for informing distribution-type borrowers of the scales for maps and for assuring conformance to the established policy by these borrowers.
2. Power Division: The Power Division is responsible for informing power-type borrowers of the scales for maps and for assuring conformance to the established policy by these borrowers.
3. Administrative Services Division: The Mapping Service Section of the Administrative Services Division is responsible for preparation of mapping standards and for rendering advice to other divisions on mapping problems.

This Bulletin supersedes all other existing instructions in conflict with this Bulletin.

Claude R. Wickard
Administrator

Index:

Scales for Key and Detail Maps
Maps, Scales for Key and Detail Maps

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 91

SUBJECT: Classification of Positions in Departmental Service

POLICY:

1. In view of the existing organization structure of the Rural Electrification Administration in which duties and responsibilities of major organization units are assigned primarily on a nationwide functional—as distinguished from a geographical—basis and where division of work among employees in the major units is made for administrative convenience on a regional or geographical basis, the classification of positions the major duties of which are conducted in the Washington Office shall be recommended on the basis of Departmental Service.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude A. Wickard

Administrator

Index:

Classification of Positions in Departmental Service
Departmental Service Positions, Classification of

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 92

SUBJECT: Approval for Travel

RESPONSIBILITY AND PROCEDURE:

1. Other than emergency travel as provided in Paragraph 6, no travel shall be commenced without the prior approval of the Administrator, Deputy Administrator, or Assistant Administrator, except that travel between points covered by an approved general or blanket authorization to travel in a specific area shall be in accordance with the direction of the Chief of the appropriate Division. A traveler shall commence travel, except in emergency situations, only after having received a copy of the approved "Authorization-Travel".
2. The Budget Office will advise each Division Chief and the Administrative Services Division before the beginning of the allotment period of the amount allocated for travel. Each Division Chief will be responsible for limiting travel expenditures of the Division to the allotted amount. Estimated cost of travel will be the basis for obligating the Division's travel allotment funds. In cases where additional travel funds are required to meet emergency situations which could not be anticipated, the Division Chief will prepare and submit to the Budget Office a request for additional funds. Such request shall set forth the estimated needs for the balance of the allotment period and shall be accompanied by a detailed statement of justification.
3. Requests for authority to travel shall be prepared on Form AD-200, "Request for Authorization", signed by the Chief of the appropriate Division, or the head of the appropriate unit of the Office of the Administrator, and submitted to the Administrator, Deputy Administrator, or Assistant Administrator for approval at least five working days in advance of the travel. Submission by the Division Chief of Form AD-200 shall indicate that he has made a determination that funds are available for such travel. Requests for travel by headquarters personnel should be accompanied by detailed itinerary on Form MA-106R, "Proposed Travel Schedule for Headquarters Personnel", in duplicate.

4. After the Form Ad-200, "Request for Authorization", has received administrative approval, the Administrative Services Division will verify availability of funds, and prepare Form Ad-202, "Authorization-Travel". The "Authorization-Travel" will be signed by the Administrator, or by such person as he may authorize, and a copy will be forwarded to the traveler after signature is secured.
5. A traveler shall comply with all provisions of an "Authorization-Travel". All changes in such provisions, as for example, a change in itinerary, duration or mode of travel, require an Amendment to the original "Authorization-Travel". Such an Amendment requires prior approval of the Administrator, Deputy Administrator, or Assistant Administrator.
6. In an emergency, as determined by the Administrator, Deputy Administrator, or Assistant Administrator, prior oral approval for travel may be secured and then formalized by the immediate preparation and submission of Form Ad-200, "Request for Authorization", setting forth from whom and on what date the oral approval was secured. If the circumstances are such that prior oral approval cannot be requested and obtained for travel, the originating division shall, as soon as possible thereafter, prepare and submit Form AD-200, "Request for Authorization", to the Administrator, Deputy Administrator, or Assistant Administrator, setting forth a statement of facts constituting the necessity for such travel. In the event that unauthorized travel has been completed prior to the Administrative approval of such travel, the traveler shall include in his travel reimbursement voucher (SF-1012) a statement of facts constituting the necessity for such travel since post approval by the Administrator is required in these cases.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Approval for Travel
Request for Travel, Approval of
Travel; Approval of
Travel Funds: Allotment by Divisions

5-29-50

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 93

SUBJECT: Advances of Funds for Per Diem, Mileage, and Transportation
of Household Goods

PROCEDURE:

1. The purpose of this memorandum is to set forth the procedure for obtaining advances of funds for subsistence expenses incident to official travel and expenses incident to movement of household goods and personal effects on transfer of official station and for determining the amounts of such advances.
2. Application for advances shall be made on Standard Form 1038, Application for Advance of Funds for Travel Expense. The approving officer shall satisfy himself that the interest of the Government is adequately protected before approving the application. In determining adequate protection, consideration will be given to set-off of salary due, retirement credit, bonds of indemnity, or other security. Travelers will be required to furnish bond or other security only in those instances where the set-off of salary and retirement credit is not ample to cover the amount of the advance.
3. The sum advanced to any person for travel expense shall not be in excess of the per diem allowance multiplied by the number of days the traveler is estimated to be in travel status and, if mileage allowance is authorized, an additional amount may be included in the advance which shall not be in excess of the estimated mileage cost. When travel by privately owned motorcycles, automobiles, or airplanes is authorized and used, the maximum that shall be advanced is \$480. When no mileage allowance is authorized, the maximum amount that shall be advanced is \$300.00.
4. The maximum that shall be advanced for expenses of transporting household goods and personal effects, including any previous advance then outstanding, is \$2,000. The minimum advance for travel expense or transportation of household goods shall be \$50.00.

5. Travel advances shall be approved only after the authorization for travel has been approved.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Advances of Funds for Per Diem, Mileage, and Transportation of Household Goods
Mileage, and Transportation of Household Goods: Advances of Funds for Per Diem
Per Diem, Mileage, and Transportation of Household Goods: Advances of Funds for
Transportation of Household Goods: Advances of Funds for Per Diem, Mileage and
Travel Advances: Advances of Funds for Per Diem, Mileage, and Transportation of Household Goods

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 94

SUBJECT: Per Diem and Mileage Rates for REA Travelers

POLICY:

1. It shall be the responsibility of all administrative officials and travelers to insure that travel is performed with maximum economy consistent with the effective conduct of official business. To this end, careful consideration as to cost must be given by the official requesting the travel.
2. Effective at 12:01 a.m. May 1, 1950, per diem and mileage allowances for all REA personnel in travel status will be paid in accordance with the following rates and conditions.
 - a. Per Diem allowances shall be as follows:
 - (1) \$7.00 per diem shall be allowed for REA personnel in travel status, except that \$8.00 shall be allowed for the day of arrival in a town, the population of which is 50,000 or more and in which the night is spent; \$8.00 shall be paid for each succeeding day, the night of which is spent in such town.
 - (2) The population, as referred to above, shall be taken from the latest official U.S. Census Report.
 - (3) The above rates shall be increased by \$3.00 for travel performed in the Territory of Alaska, Hawaii, and the Virgin Islands.
 - b. Mileage allowances shall be as follows:
 - (1) Seven cents (7¢) per mile for the use of privately-owned automobiles or airplanes in those instances where such mode of travel has been determined to be advantageous to the Government. The official initiating the Request for Travel shall be responsible

for having determined that, whenever a mileage rate of seven cents (7¢) per mile is stipulated for automobile travel, such travel by privately-owned automobile is definitely in the best interests of, and advantageous to, the Government.

- (2) Four cents (4¢) per mile for the use of privately-owned automobile or airplane in those instances where the specific assignment could be performed satisfactorily by means of common carrier.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Mileage Rates for REA Travelers: Per Diem and
Per Diem and Mileage Rates for REA Travelers
Travel: Per Diem and Mileage Rates for REA Travelers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 97

SUBJECT: Authorization to Execute Certificates Concerning
a Borrower's Status

1. The Associate Solicitor in charge of Rural Electrification, or the Chief of the Electrification Operations Division of the Solicitor's Office of the Department of Agriculture, or in their respective absences, the persons officially acting for them, is authorized to execute on behalf of the Administrator, certificates required to be furnished to the General Accounting Office certifying in respect of changes in corporate names of borrowers, or in respect of mergers, consolidations or conversions in which borrowers are involved, either with or without changes in corporate name, that any such change of name or of corporate status is not the result of a change in the identity of the borrower, or, if the identity of the borrower has been changed, that the United States is not adversely affected by the substitution of the liability of the new corporation for that of the original borrower on the loan or loans made through the Rural Electrification Administration.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Execute Certificates Concerning a Borrower's Status
Borrower's Status: Authorization to Execute Certificates Concerning
Certificates Concerning a Borrower's Status: Authorization to Execute
Execution of Certificates Concerning a Borrower's Status

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 98

SUBJECT: Authorization to Make Affidavits with Respect
to the Recording and Filing of Mortgages and
Deeds of Trust

1. The Associate Solicitor in charge of Rural Electrification, or the Chief of the Electrification Loans Division, of the Solicitor's Office of the Department of Agriculture, or in their respective absences, the persons officially acting for them, is authorized to make and execute, on behalf of the Administrator, affidavits and certificates necessary or required in connection with the recording or filing of the renewing or continuing of liens of mortgages, deeds of trust, supplemental mortgages and supplemental deeds of trust, securing an REA loan, and to make and execute similarly such affidavits or certificates as the trustees under such a deed of trust or supplemental deed of trust may in writing direct the Administrator to make or execute on their behalf.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Affidavits with Respect to the Recording and Filing of
Mortgages and Deeds of Trust
Authorization to Make Affidavits with Respect to the
Recording and Filing of Mortgages and Deeds of Trust
Deeds of Trust and Mortgages: Affidavits Concerning
Recording and Filing of
Mortgages and Deeds of Trust: Affidavits Concerning
Recording and Filing of

5-26-50

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 99

SUBJECT: Authorization to Execute Certificates Regarding
a Borrower's Incorporation

1. The Associate Solicitor in charge of Rural Electrification, or the Chief of the Electrification Operations Division, of the Solicitor's Office of the Department of Agriculture, or in their respective absences, the persons officially acting for them, is authorized to execute, on behalf of the Administrator, certificates, which a national bank, acting as trustee under a trust indenture executed by and between a corporate borrower and such trustee as security for an REA loan, finds necessary or desirable to be furnished to it, certifying that such borrower has submitted documents with respect to its incorporation in satisfactory form required by the Rural Electrification Administration.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Execute Certificates Regarding A Borrower's
Incorporation
Certificates Regarding A Borrower's Incorporation: Authorization
to Execute
Incorporation: Authorization to Execute Certificates Regarding
A Borrower's

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 100

SUBJECT: Authorization to Approve Depositories for the
Funds of Borrowers

1. The Chief or Assistant Chief of the Finance Division is authorized to approve, on behalf of the Administrator, a bank or banks (which must be a member of the Federal Deposit Insurance Corporation) in which the funds of a borrower, regardless of the source thereof, shall be deposited.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Approve Depositories for the Funds of Borrowers
Depositories for the Funds of Borrowers: Authorization to Approve
Funds of Borrowers: Authorization to Approve Depositories for the

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 102

SUBJECT: Authorization to Make Endorsements and Assignments of
Consumer Notes and Other Collateral Under Section 5
of the Act, as Amended.

1. The Chief, or Assistant Chief, or Assistant to the Chief of the Finance Division, is authorized to execute, on behalf of the Administrator, such endorsements or assignments of a promissory note or other collateral pledged by a borrower as security for an REA loan under Section 5 of the Act, as amended, as may be necessary or consistent with policy in connection with the return of such collateral to a borrower because of the payment in full of such obligation or in order that the borrower may institute legal action thereon or in connection therewith.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Authorization to Make Endorsements and Assignments of Consumer Notes and Other Collateral Under Section 5 of the Act, as amended

Consumer Notes and Other Collateral: Authorization to Make Endorsements and Assignments Under Section 5 of the Act, as amended

Section 5 of the Act, as Amended: Authorization to Make Endorsements and Assignments of Consumer Notes and Other Collateral Under

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 104

SUBJECT: Authority to Sign Written Outgoing Communications

1. Except as the Administrator may otherwise direct in specific instances or as otherwise provided by paragraph 2 of this Bulletin, all written outgoing communications to:
 - (a) members or committees of the Congress of the United States;
 - (b) the Secretary and other Bureaus of the Department of Agriculture;
 - (c) other Federal government agencies;
 - (d) the Governors of the several states and territories; and
 - (e) the executive branches of state and territorial governments

shall be prepared for the signature of and be signed by the Administrator, except that outgoing written communications to appropriate officials of units within the Department of Agriculture or within other Federal government agencies, conveying, requesting or discussing information covered by approved policies of the Rural Electrification Administration and within the areas of established routines, may be prepared for the signature of and be signed by the chief of that division whose area of functions, responsibilities and duties covers the subject of the communication.

2. Except as the Administrator may otherwise direct in specific instances, all written communications announcing, interpreting or explaining basic and general policies and programs, communications dealing with public relations and communications the subject of which involves the functions, responsibilities and duties of two or more divisions, shall be prepared for the signature of and be signed by the Administrator, the Deputy Administrator, or the Assistant Administrator.
3. Except as otherwise provided by paragraphs 1 and 2 of this Bulletin, all other written outgoing communications shall be prepared for the signature of and be signed by the chief of that division whose area of functions, responsibilities and duties covers the subject of the communication.

4. The Administrator, the Deputy Administrator, or the Assistant Administrator, may authorize a member of his staff to sign his name for him. The chief of a division may request and obtain the approval of the Administrator, permitting the assistant chief of such division or another member of the staff of such division (including members of the staff while in official travel status) to sign those communications specified in the approval.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Authority to Sign Written Outgoing Communications
Communications: Authority to Sign Written Outgoing

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 105

SUBJECT: Authorization to Approve Contracts and Other Agreements
Related to Borrowers' Construction Activities -- Engineer-
ing Division

1. The Chief of the Engineering Division is authorized to approve on behalf of the Administrator the following contracts between borrowers of the Rural Electrification Administration and parties other than the United States for distribution and transmission facilities:
 - a. Engineering service contracts and amendments thereto;
 - b. Architectural service contracts and amendments thereto;
 - c. Construction contracts and amendments thereto (contracts involving labor at project site).
2. The Assistant Chiefs in addition to the Chief of the Engineering Division are authorized to approve on behalf of the Administrator the following contracts and agreements between REA borrowers and parties other than the United States for distribution and transmission facilities:
 - a. Amendments to construction contracts when the amendment is for less than \$50,000;
 - b. Materials and equipment contracts and amendments thereto;
 - c. Agreements with reference to physical and/or electrical interference with power and telephone or other communication facilities; and
 - d. Agreements with reference to highway and railroad crossings and sidings.
3. The authorization set forth above in paragraphs "1" and "2" shall be exercised for such contracts and agreements as are related to the activities assigned to the Engineering Division. These activities are outlined in Administrative Bulletin No. 53.

4. The authorizations in this Bulletin are made with the understanding that where the following conditions or circumstances exist for contracts in excess of \$2,500, the authority will not be exercised until clearance has been obtained from either the Administrator, the Deputy Administrator or the Assistant Administrator:
 - a. Proposals for approval of negotiated contracts where established REA procedure requires that formal bidding practices be followed;
 - b. Proposals for approval of other than the low bidder;
 - c. Proposals for approval of contracts where borrower and borrower's engineer are not in agreement as to award;
 - d. Proposals for approval of contracts which involve change in established policy or unusual terms or conditions.
5. Where any of the above conditions exist a report of the facts bearing on the case shall be presented, together with recommendations on action to be taken, but excluding the contract in question. Such report should provide a space where approval may be indicated. The report if approved will be attached to the office copy of the contract and the contract will be approved by the appropriate divisional representative.
6. Any contracts that do not conform to standard contract forms approved by the Office of the Solicitor shall be approved for legal matters by the Office of the Solicitor in accordance with established procedure prior to the approval of the contracts.
7. Approvals made pursuant to this authorization shall be exercised only after application of established procedures and such approvals shall be deemed to represent compliance with established procedures.
8. Approvals pursuant to this authority shall be signed:

/s/ _____
for Claude R. Wickard, Administrator

This Bulletin supersedes all existing authorizations in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Authorization to Approve Contracts and Other Agreements Related to
Borrowers' Construction Activities -- Engineering Division
Construction Activities -- Engineering Division: Authorization to
Approve Contracts and Other Agreements Related to Borrowers'
Contracts and Other Agreements Related to Borrowers' Construction
Activities -- Engineering Division: Authorization to Approve
Engineering Division: Authorization to Approve Contracts and Other
Agreements Related to Borrowers' Construction Activities --

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 107

SUBJECT: Relations with Chief Disbursing Officer,
United States Treasury Department

RESPONSIBILITY AND PROCEDURE:

1. The Administrative Officer in charge of the budget shall be responsible, on behalf of the Administrator, for initiating accountable warrants making administrative and loan funds available for expenditure to the Chief Disbursing Officer, Division of Disbursement, United States Treasury Department, and for requesting repayments to the Treasury of unexpended balances with the Chief Disbursing Officer.
2. The Head of the Internal Accounting and Travel Section of the Administrative Services Division shall be responsible for the execution of all documents providing for the expenditure of administrative funds by the Chief Disbursing Officer, and for the examination, reporting and certification of the transactions in the accounts of the Chief Disbursing Officer.
3. United States Savings Bonds and checks in payment of salary shall be delivered by the Chief Disbursing Officer to the Chief of the Administrative Services Division or, as alternate, to the Assistant Chief of the Administrative Services Division and checks for reimbursement of travel shall be delivered to the payee or to the Head of the Internal Accounting and Travel Section of the Administrative Services Division, at the option of the payee.
4. The Head of the Loan Accounts Section of the Finance Division shall be responsible for the execution of all documents providing for the expenditure of loan funds by

the Chief Disbursing Officer, and for the examination, reporting and certification of the transactions in the accounts of the Chief Disbursing Officer.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard
Administrator

Index:

Relations with Chief Disbursing Officer,
United States Treasury
Loan Fund Expenditures
Administrative Fund Expenditures

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 109

SUBJECT: Relations with Equipment Manufacturers

POLICY AND PROCEDURE:

In his relations with equipment manufacturers and their representatives each employee of the Rural Electrification Administration shall, in addition to complying with the provisions of Title 8, Chapter 55, Section 1, Paragraph 2001, Administrative Regulations, U.S.D.A., entitled "Conduct That Might Cause Embarrassment to Department", comply with the following specific conventions:

1. If not available in REA, information may be requested from a manufacturer in regard to equipment made by that manufacturer but not in regard to equipment made by another manufacturer.
2. Engineering or other technical computations and analyses concerned with general matters may be submitted to manufacturers or their representatives for review and criticism. Such criticisms should be given full consideration and retained in the records.
3. When a member of REA is expected or has been assigned to prepare computations or analyses of material concerning any specific borrower or problem he shall not request or permit a manufacturer or his representatives to prepare such computations or analyses unless authorized by his division chief.
4. All manufacturers are entitled to and shall receive the same consideration and treatment; under no circumstances shall any partiality be shown a particular manufacturer.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Equipment Manufacturers: Relations with
Manufacturers: Equipment, Relations with
Relations with Equipment Manufacturers

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 110

SUBJECT: Approval of Farm and Household Electrical Equipment

POLICY:

In replying to inquiries concerning approval or disapproval of farm and household electrical equipment (as distinguished from electrical equipment owned and operated by borrowers) by the Rural Electrification Administration, whether or not the purchase of such equipment is financed with Government funds, the following considerations shall be observed:

1. REA does not maintain a list of approved or acceptable farm and household electrical equipment.
2. Manufactured farm and household electrical equipment which meets the minimum safety and other requirements established by any recognized national organizations such as the American Standards Association, Bureau of Standards, and professional engineering societies or approved by recognized national testing organizations, such as Underwriters Laboratories, usually will be found satisfactory.
3. Any farm and household electrical equipment known, or in experience discovered, to impair the quality of electric service on rural power systems, or that is otherwise inconsistent with good operating practices on such systems, should not be served by REA borrowers and in so far as REA receives such information, REA borrowers may be so informed.

RESPONSIBILITY AND PROCEDURE:

1. Applications and Loans Division: The Applications and Loans Division is responsible, consistent with this bulletin, for all relations with borrowers and others in respect of minimum safety and other requirements for farm and household electrical equipment, (exclusive of those assigned to the Engineering Division in the following paragraph "2").

2. Engineering Division: The Engineering Division is responsible for relations with REA borrowers and others in respect of the effects of farm and household electrical equipment on the quality of electric service on rural power systems. Where appropriate the Engineering Division shall consult with the Power Division.
3. Technical Standards Division: The Technical Standards Division is responsible for investigating the effect of farm and household electrical equipment on the quality of electric service on rural power systems and advising REA (especially the Applications and Loans Division and Engineering Division) in respect thereof.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Approval of Farm and Household Electrical Equipment
Electrical Equipment, Approval of Farm and Household
Farm and Household Electrical Equipment, Approval of
Household Electrical Equipment, Approval of Farm and

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

RFB-2(rM1)
5-30-50

Administrative Bulletin No. 111

SUBJECT: Restrictions Concerning Appearances Before or Attendance
at Hearings or Conferences of Public Regulatory Bodies
and Agencies or at Court Proceedings and Concerning
Discussions with Public Officials

POLICY:

1. Except as authorized by the Administrator, a member of the staff of the Rural Electrification Administration shall not attend as a witness or as an observer, any court proceeding or any hearing before a regulatory body in which any aspect of the REA program is involved. Except as authorized by the Administrator, a member of the REA staff shall not participate in discussions concerning any aspect of the REA program with members or employees of regulatory bodies or with any other public officials. This shall not, however, preclude members of the staff from orally furnishing public officials with any information concerning the rural electrification program that has been publicly released by the REA. This Bulletin has reference to all agencies and public officials, Federal, state and local, and includes without limitation state and Federal regulatory agencies, highway commissions, tax commissions and other tax officials, and members of legislative bodies.
2. It is contemplated that the Administrator will make certain general authorizations for activities of the kinds described above within the routine responsibilities of certain persons or certain units of the organization. It is the intent and spirit of this Bulletin, however, that all contacts with public agencies and public officials shall be closely correlated under the control of the Administrator, particularly with respect to matters having a direct or indirect bearing on controversial issues.

RESPONSIBILITY AND PROCEDURE:

1. Whenever the pendency of a proceeding before a regulatory body affecting a borrower or prospective borrower comes to the attention of a member of the REA staff, he shall report same to his supervisor.

2. In any case where a proceeding before a regulatory body directly affecting or threatening the interest of the Government as mortgagee comes to the attention of a member of the REA staff, he shall forthwith report all facts thereon to his supervisor for referral to the Administrator with appropriate recommendations concerning the advisability or need for intervention by the United States as a party in such proceedings.
3. Requests for permission to assist borrowers or prospective borrowers with proceedings before regulatory bodies shall be submitted through the Chiefs of the respective Divisions to the Administrator.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Appearances Before or Attendance at Hearings or Conferences of
Public Regulatory Bodies and Agencies or at Court Proceedings,
Restrictions Concerning
Public Regulatory Bodies and Agencies and Court Proceedings, Restrictions Concerning Appearances Before or Attendance at Hearings or Conferences of
Public Officials, Restrictions Concerning Discussions with

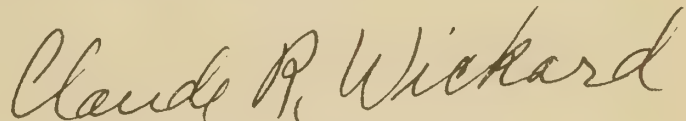
UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 115

SUBJECT: Authorization to Sign Travel Orders

1. The Head of the Internal Accounting and Travel Section, the Assistant Head of the Internal Accounting and Travel Section, and the Chief or Assistant Chief of the Administrative Services Division are authorized on behalf of the Administrator to sign an "Authorization-Travel", Form AD-202, (except authorizations covering travel to points outside the continental limits of the United States) when the travel has been approved by the Administrator, Deputy Administrator, or Assistant Administrator.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

A handwritten signature in cursive script, reading "Claude R. Wickard".

Administrator

Index:

Authorization to Sign Travel Orders
Travel Orders: Authorization to Sign

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 116

SUBJECT: Acceptance of Specifications, Drawings, Materials and
Equipment - Technical Standards Committee

POLICY:

1. The Rural Electrification Administration shall determine the specifications, drawings, materials and equipment that will be acceptable for REA financing.
2. The determination of such acceptability for standard specifications, standard drawings, items of materials and equipment used in generation, transmission, distribution, communication, general plant (excluding office equipment) and farmstead wiring facilities, as designated by the Administrator, shall be made by REA through its Technical Standards Committees.
3. Where REA standards have not yet been established, and until such time as they are established, the determination of such acceptability for the items set forth in Paragraph 2 shall be made by the Chief of the Division having responsibility for execution of that phase of activity for which the particular item is to be used.
4. For emergency use, determination of such acceptability for the items set forth in Paragraph 2 shall be made by the Chief of the Division having responsibility for execution of that phase of activity for which the particular item is to be used. An "emergency" is defined as a situation wherein the supply of standard materials or equipment in the industry is not readily available for, or the standard designs are not applicable to the borrower's specific problem under consideration.

RESPONSIBILITY AND PROCEDURE:

1. The purpose of this procedure is to set forth the functions, responsibilities and membership of the Technical Standards Committees. These Committees have been established to determine the acceptability of standard specifications, standard drawings, items of materials and equipment used in the construction, operation and maintenance of REA borrowers' systems.

a. Technical Standards Committee "A":

(1) Functions:

This Committee shall receive all proposals of specifications, drawings, materials and equipment submitted by any sponsor including manufacturers, members of the REA staff, and consumers and employees of REA borrowers.

(2) Responsibilities:

The acceptance of any item by the unanimous vote of Committee "A" shall constitute final acceptance by REA. The rejection of any item by the unanimous vote of Committee "A" shall constitute rejection by REA. However, the sponsor of the item may appeal in writing and request a hearing before Committee "B". Any item not accepted or rejected unanimously shall be referred to Technical Standards Committee "B".

(3) Membership:

This Committee shall consist of one voting representative and an alternate from each of the following divisions: Applications and Loans, Engineering, Management, Power, and Technical Standards. Members and alternates shall be appointed by the Chiefs of the respective divisions. Whenever a member is on duty at the Washington office of REA he shall attend the scheduled meeting. An alternate may attend meetings with the member, but shall not vote. The Head of the Equipment Standards Unit of the Standards Section of the Technical Standards Division shall be a non-voting member of the Committee and shall serve as Chairman of Technical Standards Committee "A". In the absence of the Chairman of the Committee, the Chief of the Technical Standards Division shall appoint an Acting Chairman.

b. Technical Standards Committee "B":

(1) Functions:

This Committee shall review all cases referred to it by Committee "A" or by appeal from a sponsor and shall accept or reject the proposal submitted or standards involved. The Committee may conduct such hearings as it may deem necessary or advisable.

(2) Responsibilities:

The acceptance of any item by a majority vote of Committee "B" shall constitute final acceptance by REA. In the event of rejection of any item the sponsor of the item may appeal in writing to this Committee to reconsider its decision, submitting his reasons, and he may request a hearing. The Committee shall determine whether or not to reconsider the matter. If, after such reconsideration, the item is still not accepted, the sponsor may appeal in writing to Committee "C". In the event that the Committee decides not to reconsider the case, the sponsor may also appeal in writing to Committee "C". Where a final decision cannot be reached by the Committee because of a tie vote, the question shall be referred to Committee "C".

(3) Membership:

This Committee shall consist of an Assistant Chief of the Applications and Loans, Engineering, Management, Power, and Technical Standards divisions, each of whom shall have one vote. Members and alternates shall be appointed by the Chiefs of the respective divisions. Whenever a member is on duty at the Washington office of REA he shall attend the scheduled meeting. An alternate may attend meetings with the member, but shall not vote. The Head of the Standards Section of the Technical Standards Division shall be a non-voting member and shall serve as Chairman of this Committee. In the absence of the Chairman of the Committee, the Chief of the Technical Standards Division shall appoint an Acting Chairman.

c. Technical Standards Committee "C":

(1) Functions:

This Committee shall review all cases appealed to it from Committee "B", or referred to it as a result of a tie vote in Committee "B", and shall either accept or reject the item or items involved. This Committee shall establish any additional rules, regulations and procedures required for the functioning of the committees.

(2) Responsibilities:

The acceptance of any item by a majority vote of this Committee shall constitute final acceptance by REA. The Committee may conduct such hearings as it may deem necessary or advisable. In the event of rejection of any item by the Committee, the Committee shall make a detailed report thereon to the Administrator.

(3) Membership:

This Committee shall consist of the Chiefs of the Applications and Loans, Engineering, Finance, Management, Power, and Technical Standards divisions, and one member appointed by the Administrator, each of whom shall have one vote. Each of the seven members shall appoint an alternate. Whenever a member is on duty at the Washington office of REA he shall attend the scheduled meeting. An alternate may attend meetings with the member, but shall not vote. The Chief of the Technical Standards Division shall serve as Chairman of this Committee. In case of a tie, the final decision shall be made by the Administrator. In the absence of the Chairman of the Committee, the Administrator will appoint an Acting Chairman.

d. General Committee Regulations and Procedures:

- (1) In no case shall a member or alternate of one Committee serve concurrently as a member or alternate of another Committee.

- (2) No business shall be transacted by any Committee without attendance of all members or their alternates.
- (3) All cases shall be considered in the sequence in which they are received by the Committees. Deviations will be permitted only with the approval of the Administrator.
- (4) All communications with reference to decisions made by any of the above Committees shall be sent over the signature of the Chairman of the Committee making the decision, with copies to all divisions concerned.
- (5) No one, other than members of the REA staff, shall be present at the meeting of any Committee, except upon the invitation or formal consent of that Committee.

e. Committees' Personnel and Terms of Service:

(1) Committee "A":

- (a) Members and alternates of this Committee shall be appointed for a period of service of four months.
- (b) A permanent secretary shall be appointed by the Chairman, and such secretary shall have no vote in the decisions of the Committee.
- (c) No member shall serve two consecutive terms, but one who has served one term as an alternate may be appointed as a member for the following term.

(2) Committee "B":

- (a) Appointments shall be for an indefinite period, subject, however, to change by the division chief.
- (b) The Chairman of Committee "A" shall serve as secretary of Committee "B" and shall furnish necessary details of decisions of Committee "A" to this Committee.

(3) Committee "C":

- (a) Appointments of alternates shall be for an indefinite period, subject, however, to change by the members.

(b) The Chairman of Committee "B" shall serve as secretary and shall furnish necessary details of decisions of Committee "B" to this Committee.

- (4) Notices of meetings and agenda for each of the regular meetings of each of the three Committees shall be sent to each member and alternate of each of the three Committees, the Chief, Information Services Division and the Associate Solicitor in charge of Rural Electrification of the Department of Agriculture not less than five days prior to the date of the meeting.
- (5) Committee "A" shall meet weekly at such time and place mutually agreed upon. Committees "B" and "C" will meet, as required, at the request of their respective Chairmen.
- (6) Minutes of the meetings of each of the three Committees shall be sent to each member and alternate of each of the three Committees, the Chief, Information Services Division and the Associate Solicitor in charge of Rural Electrification of the Department of Agriculture.

f. Regulations for the Establishment of Standards of Materials and Equipment:

- (1) Where practicable, REA is guided by the standards, rules, and regulations of such national scientific bodies as the American Standards Association, the various national engineering societies, the National Electrical Safety Code, and the National Electrical Code.
- (2) It is the practice of the Technical Standards Committees to accept for listing only one item of a particular type of material or equipment for each manufacturer. Whenever a manufacturer submits an item of material or equipment to perform the identical function of an accepted item, the Committees may accept the alternate item and remove the previously accepted item from the list.
- (3) No member of the REA staff is permitted to authorize deviation from the Standard Contract Specifications, or to establish or change technical standards, or to authorize the use of items that have not received acceptance by the Technical Standards Committees except as provided for under Section h below, or by authorization and direction of the Administrator.

g. Removal of an Item from the List of Materials:

- (1) An item of material or equipment may be removed from the "List of Materials Acceptable For Use on Systems of REA Borrowers" by the unanimous vote of Committee "A" and this shall constitute rejection by REA. However, the manufacturer may appeal in writing and request a hearing before Committee "B".
- (2) In any instance where an item has been removed from the "List of Materials Acceptable For Use on Systems of REA Borrowers" the item submitted by the manufacturer for replacement shall be accepted on a trial basis. Acceptance shall remain on a trial basis until such time as it has given evidence of satisfactory performance in actual service. Upon proof of satisfactory performance it will receive consideration for final acceptance by the Committees.

h. The Responsibilities and Duties of the Divisions Relative to the Technical Standards Committees:

(1) Applications and Loans Division:

- (a) The Chief of the Division appoints a member and an alternate to Technical Standards Committee "A".
- (b) The Chief of the Division appoints an Assistant Chief as permanent member and an alternate to serve on Technical Standards Committee "B".
- (c) The Chief of the Applications and Loans Division is delegated the authority, in the case of an emergency as hereinafter defined, to substitute any non-standard material, equipment or design coming within the scope of the division's functions, and such authority shall be delegable by him. Where such emergency changes are made, all Committees and Divisions shall be notified by memorandum.
- (d) Where REA standards have not yet been established the Chief of the Division may determine the acceptability of the items mentioned in the opening paragraph of this Bulletin.

(2) Engineering Division:

- (a) The Chief of the Division appoints a member and an alternate to Technical Standards Committee "A".
- (b) The Chief of the Division appoints an Assistant Chief as permanent member and an alternate to serve on Technical Standards Committee "B".
- (c) The Chief of the Engineering Division is delegated the authority, in case of an emergency as hereinafter defined, to substitute any non-standard material, equipment or design coming within the scope of the division's functions, and such authority shall be delegable by him. Where such emergency changes are made, all Committees and Divisions shall be notified by memorandum.
- (d) In addition, where REA standards have not yet been established the Chief of the Division may determine the acceptability of the items mentioned in the opening paragraph of this Bulletin.

(3) Management Division:

- (a) The Chief of the Division appoints a member and an alternate to Technical Standards Committee "A".
- (b) The Chief of the Division appoints an Assistant Chief as permanent member and an alternate to serve on Technical Standards Committee "B".
- (c) The Chief of the Management Division is delegated the authority, in case of an emergency as hereinafter defined, to substitute any non-standard material, equipment or design coming within the scope of the division's functions, and such authority shall be delegable by him. Where such emergency changes are made, all Committees and Divisions shall be notified by memorandum.
- (d) In addition, where REA standards have not yet been established the Chief of the Division may determine the acceptability of the items mentioned in the opening paragraph of this Bulletin.

(4) Power Division:

- (a) The Chief of the Division appoints a member and an alternate to Technical Standards Committee "A".
- (b) The Chief of the Division appoints an Assistant Chief as permanent member and an alternate to serve on Technical Standards Committee "B".
- (c) The Chief of the Power Division is delegated the authority in case of an emergency as hereinafter defined, to substitute any non-standard material, equipment or design coming within the scope of the division's functions, and such authority shall be delegable by him. Where such emergency changes are made, all Committees and Divisions shall be notified by memorandum.
- (d) In addition, where REA standards have not yet been established the Chief of the Division may determine the acceptability of the items mentioned in the opening paragraph of this Bulletin.

(5) Technical Standards Division:

- (a) The Chief of the Division appoints a member and an alternate to Technical Standards Committee "A".
- (b) The Chief of the Division appoints an Assistant Chief as permanent member and an alternate to serve on Technical Standards Committee "B".
- (c) The Chief of the Technical Standards Division is authorized to provide the personnel, equipment, and technical assistance for the operation of the Technical Standards Committees.
- (d) The Chief of the Technical Standards Division is authorized to act as Chairman of Technical Standards Committee "C".

2. As used herein, an "emergency" is defined as a situation wherein the supply of standard materials or equipment in the industry is not readily available for, or the standard designs are not applicable to the borrower's specific problem under consideration.
3. The attached process chart outlines the general procedure to be followed for the major operations described in this Bulletin.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

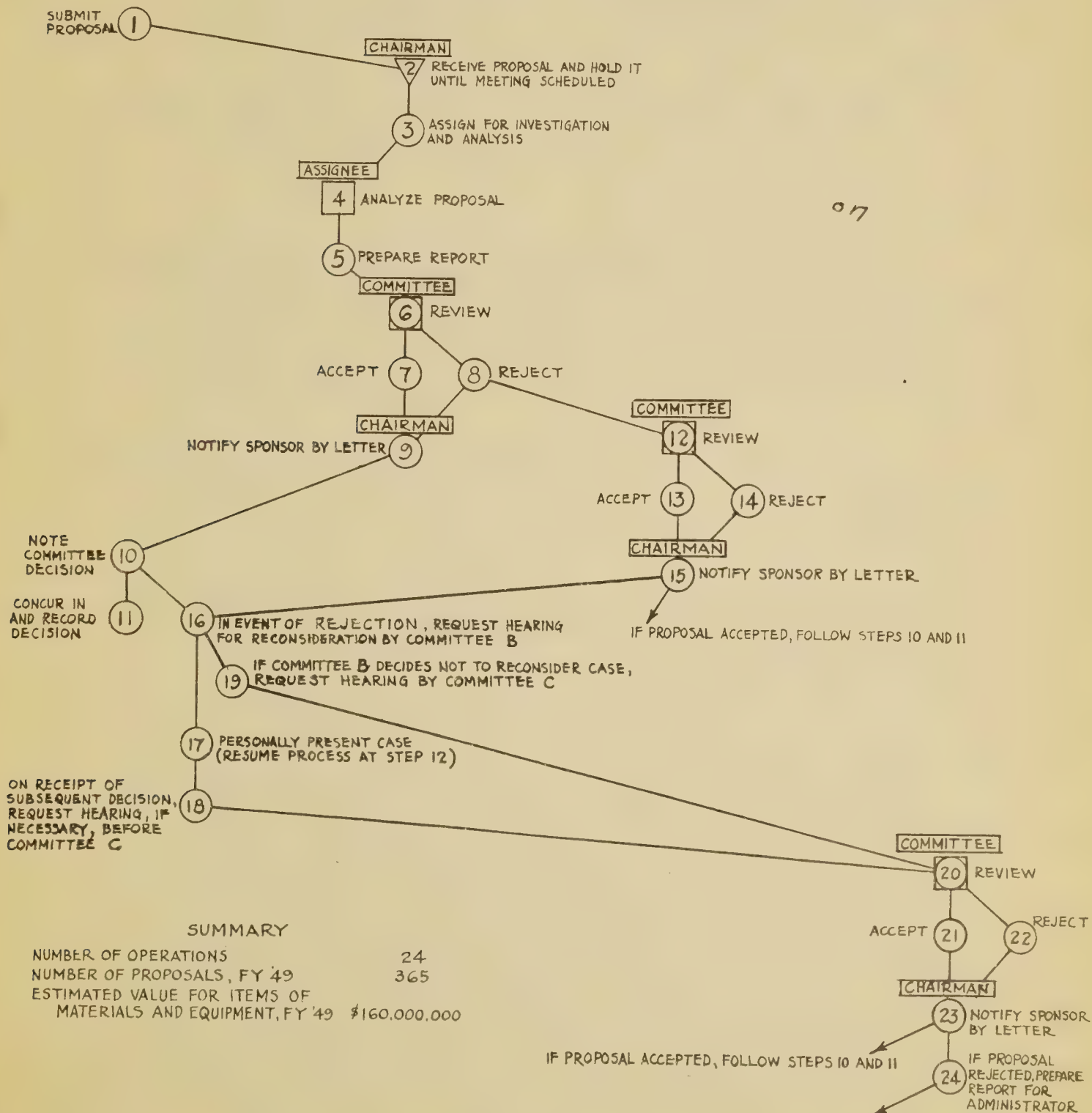
Acceptance of Specifications, Drawings, Materials and Equipment -
Technical Standards Committees.
Equipment: Acceptance of Specifications, Drawings, Materials and
Equipment - Technical Standards Committees.
Materials: Acceptance of Specifications, Drawings, Materials and
Equipment - Technical Standards Committees.
Specifications: Acceptance of Specifications, Drawings, Materials
and Equipment - Technical Standards Committees.
Standards: Acceptance of Specifications, Drawings, Materials and
Equipment - Technical Standards Committees.
Technical Standards Committees: Acceptance of Specifications,
Drawings, Materials and Equipment.

PROCESS CHART

PROCEDURE FOR EXAMINATION AND REVIEW OF PROPOSALS FOR TECHNICAL STANDARDS

AUTHORITY: ADMIN. BULLETIN NO. 116
DATED MAY 31, 1950

(ONLY MAJOR OPERATIONS DIAGRAMMED)

SPONSOR
(MFR., CONTRACTOR, BORROWER,
REA STAFF, ETC.)TECH STDS
COMMITTEE ATECH STDS.
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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 117

SUBJECT: Administrative Policy Advisory Committee -- Membership,
Functions and Operation

1. Membership of Administrative Policy Advisory Committee

The membership of the Administrative Policy Advisory Committee shall be as follows: The Administrator; the Deputy Administrator; the Assistant Administrator; Chiefs of all divisions; the Associate Solicitor in Charge of Rural Electrification, Office of the Solicitor; Program Analyst; Executive Officer; and the Legislative Consultant.

2. Function of Administrative Policy Advisory Committee

The function of the Administrative Policy Advisory Committee shall be to serve in an advisory capacity to the Administrator concerning matters of policy, administration and management of the agency.

3. Committee Meetings and Procedures

- a. A regular meeting shall be held each Thursday at 2:00 p.m. unless otherwise determined by the Administrator.
- b. Attendance at meetings shall be a prior responsibility of each member and shall not be delegated. In the absence of a member from the city or on leave, the person officially serving for him shall serve as alternate.
- c. Subjects to be considered shall be presented on an agenda which shall be prepared for each regular meeting and shall be distributed to the members at least one day prior to the meeting. When practicable, the same practice shall be followed in respect of other meetings.
- d. Any member of the Committee may present proposals for consideration of the Committee. For inclusion on the agenda such proposals shall be presented to the Clerk of the Committee. Such proposals shall be in the form of proposed Administrative Bulletins as described below.
- e. Recommendations of the Committee shall, insofar as practicable, be submitted to the Committee in final form at a subsequent meeting for its approval as expressing correctly the intended

recommendation before submission to the Administrator for consideration. After approval by the Administrator, recommendations shall be issued in a series of Administrative Bulletins for general distribution throughout the organization. Administrative Bulletins are designed primarily for the use of the RHA staff; where necessary, borrowers and others will be informed of such policies and procedures through a system of divisional memoranda and manuals.

- f. The Chief of the Personnel Division shall act as Clerk of the Committee. The Clerk shall keep a record -- not a verbatim transcript of discussions, but rather, a brief and concise summary -- of subject matters discussed and of all recommendations of the Committee.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Administrative Policy Advisory Committee -- Membership, Functions and Operation
Policy Advisory Committee -- Membership, Functions and Operation: Administrative
Committee -- Membership, Functions, and Operation: Administrative Policy Advisory

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 118

SUBJECT: Modifications of Loan Policy of Rural Electrification
Administration in Consequence of Title V of the
Department of Agriculture Organic Act of 1944

POLICY:

In consequence of Title V of the Department of Agriculture Organic Act of 1944 (commonly called the "Pace Act" and herein referred to as such), amending the Rural Electrification Act of 1936, as amended, the policy of the Rural Electrification Administration in reference to loans as expressed in the provisions of the standard forms of Loan Contract, Note and Mortgage, is as follows:

A. SECTION 4 LOANS

1. LOAN PERIOD

- a. Outstanding Loans. At the discretion of the Administrator, the maturity date of such loans made prior to the effective date of the Pace Act may be readjusted to occur at a date not beyond thirty-five (35) years from the date of such loans. In the exercise of such discretion, the maturity date of such loans shall be extended where the Administrator finds that thereby a borrower will be enabled to extend electric service to persons in rural areas who are not receiving central station service or that the extension will contribute to the security or to the self-liquidation of loans to the borrower for its system.
- b. New Loans. Loans made after the effective date of the Pace Act generally will provide for payment of interest and repayment of principal of the notes within thirty-five (35) years from the date of the notes.

2. INTEREST

- a. Outstanding Loans. On and after the effective date of the Pace Act, interest earned on principal and accumulated

and accrued interest unmatured and unpaid on the effective date of the Pace Act shall be at the rate of two percent (2%) per annum. When an outstanding note provides for the accumulation of interest for a period beyond the effective date of the Pace Act, interest may continue to accumulate from the effective date of the Pace Act until the end of the period during which interest is permitted to accumulate by the terms of the outstanding or refunding note. When an outstanding note provides that interest shall be charged on the accumulated interest after the expiration of the period during which interest is permitted to accumulate, such provision shall continue in effect.

- b. New Loans. Interest on loans made on or after the effective date of the Pace Act shall be at the rate of two percent (2%) per annum.

3. PAYMENTS

Generally, payments of interest and on account of principal shall not be required to be made more frequently than quarterly.

4. SCHEDULE OF PAYMENTS OF INTEREST AND PRINCIPAL ON NOTES

- a. Notes made after the effective date of the Pace Act generally will be on the basis of one of the two following schedules of payment of interest and principal:

Schedule 1. Interest accruing on the principal for the first sixty (60) months after the date of the note shall be permitted to accumulate. Thereafter payments shall be made and shall be applied first to the current interest on the principal and then on account of the accumulated interest and the principal, which payments shall be in amounts and in so far as practicable in equal periodic installments, calculated to be sufficient to pay and discharge the principal of the note and the accumulated interest within thirty-five (35) years from the date thereof.

Schedule 2. Interest accruing on the principal for the first twenty-four (24) months after the date of the note shall be permitted to accumulate. Thereafter payments shall be made and shall be applied first to the current interest on the principal and then on account of the accumulated interest and the principal, which payments shall be in amounts and in so far as practicable in equal periodic installments, calculated to be sufficient to pay and discharge the principal of the note and the accumulated interest

within thirty-five (35) years from the date thereof.

- b. Generally, initial loans to borrowers will be made on the basis of Schedule 1. Supplemental loans to borrowers will be made on the basis of Schedule 1 if deemed desirable, in order to extend service on an area-coverage basis. Otherwise, supplemental loans will be made on the basis of Schedule 2.
- c. No interest shall be charged on any unmatured accumulated interest on loans made after the effective date of the Pace Act.

5. ACCELERATION OF PAYMENTS OF PRINCIPAL AND INTEREST

After the effective date of the Pace Act, provision shall be made in the loan or security documents that the Administrator may require that the revenues arising from the operation of the system shall be applied to the payment of or on account of the principal of or interest on any one or more of the outstanding notes designated by the Administrator, either prior to the time or in excess of the amount provided for in any one or more of the notes in respect of which the payment is to be made, in an amount not in excess of five percent (5%) of the amount of the principal of such note or notes advanced and unpaid at the time such payment is required; provided, however, that subject to the due and punctual payment of the principal of and interest on the outstanding notes of the dates and in the manner therein provided, the borrower may at all times retain operating funds adequate for current monthly operating purposes, which operating funds so retained shall in no event be less than 1.5 times the amount of its cash expenditures for such purposes during the corresponding month of the preceding year.

B. SECTION 5 LOANS

Except for the change in the interest rate, the terms and conditions of Section 5 Loans are not affected by this Administrative Bulletin.

RESPONSIBILITY AND PROCEDURE:

The Applications and Loans Division shall be responsible for making recommendations to the Administrator to extend, pursuant to the Pace Act, as distinguished from the extensions provided for by Section 12 of the RE Act, the maturity dates of outstanding loans; however, recommendations to extend the maturity dates of outstanding loans may be made to the Applications and Loans Division by other divisions of REA.

of the RE Act, the maturity dates of outstanding loans; however, recommendations to extend the maturity dates of outstanding loans may be made to the Applications and Loans Division by other divisions of REA.

Before submission to the Administrator for his consideration, recommendations made by the Applications and Loans Division shall be made only after consultation with the Management, Engineering, and Finance Divisions for distribution-type borrowers and the Power and Finance Divisions for power-type borrowers, and shall have legal approval or comment.

As a part of the loan docket, the Applications and Loans Division shall include a recommendation to the Administrator in respect of the schedule of payments of interest and principal to be followed in connection with each proposed loan.

This Bulletin supersedes all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Extensions in Maturity Dates of Loans, Pace Act; Modification of Loan Policy of Rural Electrification Administration in Consequence of Title V of Organic Act of 1944

Loan Schedule of Interest and Principal Payments; Modification of Loan Policy in Consequence of Title V of the Department of Agriculture Organic Act of 1944

Modifications of Loan Policy of Rural Electrification Administration in Consequence of Title V of the Department of Agriculture Organic Act of 1944

Pace Act Extensions; Modification of Loan Policy of Rural Electrification Administration in Consequence of Organic Act of 1944

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 119

SUBJECT: Methods of Construction of Borrowers' Facilities and
Purchase of Materials and Equipment (Excluding General
Plant Items)

POLICY:

General

1. It is the responsibility of the borrower as owner of its system to determine the methods of construction and of the purchase of materials and equipment which are best suited to its needs. However, the Rural Electrification Administration, in representing the Government as mortgagee, and in furthering the objectives of the Rural Electrification Act of 1936, as amended, has a special responsibility to determine that the physical properties constituting the security for loans are constructed adequately to serve the purposes for which they are designed. The discharge of this responsibility necessarily involves approval by REA of the methods of construction selected by the borrower and of the purchase of materials and equipment.

Method of Construction

2. Several methods are available to borrowers for the construction or installation of facilities. These are:
 - a. Labor and Material Contract Construction: This method of construction provides for the contractor furnishing all labor and all materials and the borrower paying the contractor for the completed facilities on the basis of an approved final inventory. Provision may be made for a borrower to furnish the contractor a portion of the material required.
 - b. Labor Only Contract Construction: Under this method of construction, the borrower furnishes all materials necessary for construction and the contractor provides all labor.

- c. Force Account Construction: Under this method of construction, the borrower purchases all materials, and the construction is done by its own employees. These activities include ordering, checking, accounting for and warehousing all materials, as well as procurement of necessary trucks and other work equipment, employment of qualified construction personnel, and accounting for all expenditures.

- 3. REA does not recommend that any one method of construction be given preference. It is the responsibility of the borrower to determine the construction method which is best suited to meet its needs. In selecting the method of construction, borrowers should weigh carefully the relative advantages and disadvantages of each method, including such factors as relative costs, adequacy, quality and speed of construction, availability of manpower and equipment, amount of supervision required, and competency of accounting personnel. Consideration should be given to the experience that the borrower has had with these various methods of construction. While the method of construction determined by a borrower is subject to the approval of REA, it should be pointed out that no disapprovals of a borrower's choice of method will be made without full explanation of the reasons for such action. The recommendation and advice of the system engineer, if any, shall be given serious consideration.

Purchase of Materials and Equipment (Excluding General Plant Items)

- 4. Several methods are available to borrowers for the purchase of materials and equipment. While the method of purchase is subject to the approval of REA, any disapprovals of a borrower's choice of purchasing method will be made only with a full explanation of the reasons for such action.
 - a. Materials and Equipment Contracts: Materials and equipment shall be purchased by contract. Purchase of conductor, poles and materials and equipment on the "List of Materials Acceptable for Use by REA Borrowers" may be contracted for on the basis of informal, non-competitive bids. All other materials and equipment shall be purchased on the basis of formal competitive bids. Where a borrower proposes to purchase equipment that is of the same type and make as existing facilities, REA approval of the borrower's proposal will depend on a showing by the borrower that such arrangements are in the best interests of the borrower. All materials or equipment contracts placed by borrowers shall be subject to the approval of REA.
 - b. Group Purchase Orders: Borrowers may purchase, through the Group Purchase Plan, such materials and equipment as may be

approved by the Administrator under this arrangement. Such Group Purchase Orders should be submitted to REA for approval and not directly to manufacturers or suppliers.

- c. Purchase Orders: Purchase Orders covering materials for minor construction, maintenance and operations, such as required for consumer and subscriber connections, may be procured through the use of Purchase Orders submitted directly to suppliers. REA approval is not required for such Purchase Orders.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: For distribution-type borrowers (excluding generation facilities) and for telephone borrowers, it is the responsibility of the Engineering Division to:
 - a. Inform borrowers of the policy set forth in this Bulletin.
 - b. Approve the borrower's selection of the methods of construction and purchase of materials and equipment. If the borrower selects the force account or labor only methods of construction, the Engineering Division shall be responsible for determining in consultation with the Finance and Management Divisions the qualifications of the borrower to perform the required construction including considerations of (1) qualifications and experience of personnel to supervise the construction, (2) availability of equipment and tools required for the construction, (3) availability of manpower, and (4) the adequacy of arrangements for appropriate accounting for costs and materials.
 - c. Approve all material and equipment contracts, and group purchase orders placed by borrowers with suppliers.
2. Power Division: For power-type borrowers and for generation facilities of distribution-type borrowers the Power Division is responsible for activities set forth under paragraph "1" above for the Engineering Division.
3. Management Division: The Management Division is responsible for:
 - a. Consultation with the Engineering and Power Divisions, as the case may be, with respect to the adequacy of distribution-type borrower's general facilities and organization for force account and labor only methods of construction when such construction method is selected by the borrower.

- b. Recommendations to the Administrator of materials and equipment for inclusion in the Group Purchase Plan and arrangements with manufacturers for making items of equipment approved under that Plan available to borrowers.

4. Finance Division: The Finance Division is responsible for:

- a. Review and certification of borrower's requisitions for advances of loan funds.
- b. Assistance to borrowers on accounting matters related to the subject matter of this Bulletin and audits of borrower's records.
- c. Consultation with the Engineering and Power Divisions with respect to the adequacy of borrower's records and accounting practices for its construction activities when the borrower proposes to construct by force account or labor only methods.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Equipment; Purchase of and Methods of Construction
Materials; Purchase of and Methods of Construction
Methods of Construction of Borrowers' Facilities and Purchase
of Materials and Equipment (Excluding General Plant Items)
Purchase of Materials and Equipment (Excluding General Plant
Items)
Construction Methods; Selection of and Purchase of Materials
and Equipment (Excluding General Plant Items)

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 120

SUBJECT: Payment of Prevailing Wages in Connection with Construction
of Electric Facilities by REA Borrowers

POLICY:

1. The construction of electric facilities is the responsibility of borrowers as owners and managers of their systems. However, the Rural Electrification Administration, as an agency of the Federal Government, is responsible for the proper expenditure of public funds made available to finance such construction pursuant to the Rural Electrification Act of 1936, as amended.
2. It shall be the policy of REA to require that, in connection with the construction of electric facilities financed with loan funds, prevailing wages in the particular area (as determined by the Department of Labor) in which the work is to be performed shall be the minimum wages to be paid to all mechanics and laborers employed directly on the site of the work.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: For distribution-type borrowers (excluding generation facilities), it is the responsibility of the Engineering Division to:
 - a. Furnish to the Labor Relations Specialist of the Management Division information in respect of construction proposed to be financed by each loan, the area in which such construction will be undertaken, and the classes of mechanics and laborers that will probably be involved in the performance of such construction.
 - b. Inform REA borrowers of the prevailing wages applicable to the proposed construction, and also to advise borrowers that:
 - (1) Appropriate notification of such wage scales must be included in notices and instructions to bidders; or
 - (2) in cases involving construction by force account, the borrower must comply with such wage scales.

- c. Advise borrowers that evidence of compliance with such wage scales in form satisfactory to the Administrator must be submitted to REA as a condition precedent to the advance of loan funds.
2. Power Division: For power-type borrowers and for generation facilities of distribution-type borrowers, it is the responsibility of the Power Division to discharge the responsibilities set forth in paragraph "1" above for the Engineering Division.
3. Management Division: For both distribution-type and power-type borrowers, it is the responsibility of the Management Division to:
 - a. Through the Labor Relations Specialist, obtain from the Department of Labor the prevailing wages applicable to the proposed construction.
 - b. Advise the Engineering Division or the Power Division, as the case may be, of such wages.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

George W. Haggard
Acting Administrator

Index:

Construction of Electric Facilities by REA Borrowers: Payment of
Prevailing Wages in Connection with
Minimum Wages: Payment of Prevailing Wages in Connection with
Construction of Electric Facilities by REA Borrowers
Payment of Prevailing Wages in Connection with Construction of
Electric Facilities by REA Borrowers
Wages in Connection with Construction of Electric Facilities by
REA Borrowers: Payment of Prevailing

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 121

SUBJECT: Assistance to Borrowers Concerning Cooperative Principles and Methods

POLICY:

1. The application of pertinent cooperative principles and methods is a responsibility of cooperative borrowers as owners and managers of their systems, and it is expected that as they acquire operating experience they will become progressively more efficient in making their organizations function effectively. However, in the public interest, in representing the Government as mortgagee, and in the achievement of the purposes of the Rural Electrification Act of 1936, as amended, it is a responsibility of REA to offer to cooperative borrowers assistance in certain circumstances. The assistance rendered to a specific borrower shall be limited to the requirements of the particular situation and to those aspects of the problem beyond the capacity of the borrower to handle because of the need or demand for expert analysis and treatment. Subject to such limitations, the following major activities generally illustrate the types and range of possible assistance to borrowers in respect of cooperative principles and methods:
 - a. Development and continued improvement of model cooperative by-laws fitted to the needs of rural electric cooperatives, including review of proposed by-law amendments for adherence to cooperative principles and good cooperative practices; interpretations and application of by-law provisions to borrowers' operations, and the like;
 - b. Advice and assistance in cooperative functioning, including information to trustees, employees and members of cooperatives with respect to their respective duties, responsibilities, and authority under the cooperative form of business organization;

- c. Advice and assistance in plans and programs designed to enlist and retain active member participation in cooperative affairs, both as an aid to management and as a means of assuring effective, fair, and democratic local control by the majority of members as owners of their respective cooperatives;
- d. Advice and assistance in the development of pride of ownership and appreciation, by members and the community, of the cooperative's contribution to community improvement and welfare, to the end of obtaining for the cooperative and community acceptance and support essential to the accomplishment of the cooperative's program; and
- e. Preparation and distribution of informational and educational material on cooperative principles, methods and benefits as a means to resolve problems presented.

RESPONSIBILITY AND PROCEDURE:

1. It shall be the responsibility of any member of the REA staff as occasion permits in his official contacts with cooperative officials and employees to assist cooperatives on matters of cooperative functioning and practices. In addition, specific responsibilities are assigned as follows:

Management Division:

- a. The Management Division has general responsibility for:
 - (1) Rendering advice to distribution-type cooperative borrowers on matters relating to the organization and overall functioning of such borrowers. This scope of responsibility covers such matters as advice on the application of cooperative principles and business practices, by-laws changes, compliance with by-laws provisions, conduct of cooperative business meetings, training in cooperative management for directors and managers, and training in cooperative matters for employees (except electrification advisers; see Bulletin No. 37).
 - (2) Encouraging borrowers, as a phase of general management to undertake member education activities and to recommend that they use the advice and assistance made available by the Applications and Loans Division in accordance with the responsibilities and procedures outlined in this Bulletin and in Administrative Bulletin No. 37. (See also Administrative Bulletin No. 13 and No. 20).

Applications and Loans Division:

- b. The Applications and Loans Division is responsible for:
- (1) Rendering advice on matters relating to the organization and functioning of new cooperatives during the pre-loan period.
 - (2) In conjunction with the division's power-use program, advising and assisting distribution-type borrowers in developing their programs: to enlist active member participation in cooperative affairs in order to promote understanding of cooperative principles, responsibilities and privileges among the members and to promote understanding and appreciation of their cooperatives; utilizing the services of the Information Services Division. This includes responsibility for electrification adviser training, and advice on setting up and carrying out the cooperative's power use member education program.

Power Division:

- c. The Power Division is responsible for rendering advice to power-type cooperatives on matters relating to cooperative principles, functioning, methods and organization, and enlisting active member cooperative participation in power cooperative affairs, utilizing the consulting services of the Cooperative Education Section of the Information Services Division.

Information Services Division:

- d. The Information Services Division is responsible for:
- (1) The preparation and distribution of informational and educational material on cooperative principles, methods and benefits through various media;
 - (2) Assisting other divisions in preparation of educational and informational material required in carrying out their responsibilities; and
 - (3) Rendering, through the Cooperative Education Section, consulting services to the Management, Power, and Applications and Loans Divisions on cooperative matters such as model by-laws, and cooperative functioning, organization, methods and practices.

This Bulletin supersedes Administrative Bulletin No. 16 and all other existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Assistance to Borrowers Concerning Cooperative Principles and Methods
Cooperative Principles and Methods: Assistance to Borrowers Concerning
Principles and Methods Concerning Cooperatives: REA Assistance

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 122

SUBJECT: Administrative Orders

POLICY:

It is the policy of the Rural Electrification Administration to issue an Administrative Order to announce the approval of an electrification loan contract made pursuant to Section 4 and 5 of the Rural Electrification Act of 1936, as amended.

RESPONSIBILITY AND PROCEDURE:

Applications and Loans Division: The Applications and Loans Division shall be responsible for:

1. Preparation of an Administrative Order for each loan recommended to the Administrator.
2. Forwarding, through the Office of the Solicitor for legal review, the Administrative Order, together with the loan docket to the Administrator.
3. On receipt of an Administrative Order approved by the Administrator, making appropriate entries in the accounting records of the Funds Control Ledger, and arranging for the distribution of copies of the order to other divisions for their information and for the purpose of recording in the Federal Register.

Office of the Administrator: The Office of the Administrator shall be responsible for:

1. Approval of the Administrative Order, if the loan recommendation, together with the loan contract and feasibility certification are approved by the Administrator.
2. Numbering each Administrative Order in a consecutive series, beginning with 1.

3. Forwarding the approved Administrative Order to the Applications and Loans Division.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Ulickard
Administrator

Index:

Administrative Orders
Orders: Administrative

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 123

SUBJECT: Employee Council -- Purpose, Membership and Responsibilities

POLICY:

1. It is an objective of the Rural Electrification Administration to assure maximum employee participation in the formulation of personnel policies and practices. As an extension of the present informal means of securing such participation, there is hereby established an Employee Council in the REA.

2. Purpose of Employee Council:

The purpose of the employee council is to serve as a means of communication between employees and the Chief of the Personnel Division on matters of general employee interest and welfare. A majority of matters considered will relate to personnel policy and practices, but the council may take up other matters if they concern the general welfare of a significant number of employees. The council will not consider individual employee problems or grievances.

3. Membership of Employee Council:

There will be ten elected members and ten elected alternate members of the council, one member and one alternate to be elected from each division and the Office of the Administrator. In addition, there will be two ex-officio members which shall consist of the member and alternate elected to the Departmental Employee Council. A member of the Personnel Division will be appointed to serve as consultant to the council.

RESPONSIBILITY AND PROCEDURE:

The Administrator shall appoint an election committee to prescribe the manner in which nominations for the Employee Council members and alternates shall be made, to determine rules and regulations for conducting the election in the various divisions, and to see that all employees of the agency in Washington, D. C., have an opportunity to vote by secret ballot. Nominees must be headquartered in Washington, D. C.

In the event a council member leaves his division or the Washington metropolitan area before the expiration of his term on the council he will be succeeded by the alternate from his division.

In the first election the members of the council representing the offices preceded by an asterisk as listed below will be elected for a one year term and the remainder for a two year term. After the first election, terms will be for two years.

Office of the Administrator

*Administrative Services Division

Applications and Loans Division

*Engineering Division

*Finance Division

*Information Services Division

Management Division

*Personnel Division

Power Division

Technical Standards

Division

The council members will elect one of their members to serve as chairman of the council and one to serve as executive secretary. It will devise its own operating procedures.

The ex-officio members who are members of the Departmental Employee Council will not be entitled to vote but will attend meetings in order that they may be prepared to present employee opinion to the Departmental Council on matters under consideration by the Departmental Council.

The appointed member of the Personnel Division will act as liaison between the council and the Chief of Personnel, will not be entitled to vote and will serve as consultant on all matters to the council.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

Index:

Employee Council -- Purpose, Membership and Responsibilities

Personnel: Employee Council -- Purpose, Membership and Responsibilities

